

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

OFFICIAL TITLE AND SUMMARY

PREPARED BY THE ATTORNEY GENERAL

The text of this measure can be found on the Secretary of State's website at <http://voterguide.sos.ca.gov>.

- Repeals state law that currently restricts the scope of rent-control policies that cities and other local jurisdictions may impose.
- Allows policies that would limit the rental rates that residential-property owners may charge for new tenants, new construction, and single-family homes.
- In accordance with California law, provides that rent-control policies may not violate landlords' right to a fair financial return on their rental property.

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

- Potential net reduction in state and local revenues of tens of millions of dollars per year in the long term. Depending on actions by local communities, revenue losses could be less or considerably more.

ANALYSIS BY THE LEGISLATIVE ANALYST

BACKGROUND

Rental Housing Is Expensive in California. Renters in California typically pay 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 for housing, which increases rents.

Several Cities Have Rent Control Laws. Several California cities—including Los Angeles, San Francisco, and San Jose—have laws that limit how much landlords can increase rents for housing from one year to the next. These laws often are called rent control. About one-fifth of Californians live in cities with rent control. Local rent boards administer rent control. These boards are funded through fees on landlords.

Court Rulings Limit Local Rent Control. Courts have ruled that rent control laws must allow landlords to receive a "fair rate of return." This means that landlords must be allowed to increase rents enough to receive some profit each year.

State Law Limits Local Rent Control. A state law, known as the Costa-Hawkins Rental Housing Act (Costa-Hawkins), limits local rent control laws.

Costa-Hawkins creates three main limitations. First, rent control cannot apply to any single-family homes. Second, rent control can never apply to any newly built housing completed on or after February 1, 1995. Third, rent control laws cannot tell landlords what they can charge a new renter when first moving in.

State and Local Government Tax Revenues. Three taxes are the largest sources of tax revenue for the state and local governments in California. The state collects a personal income tax on income—including rent received by landlords—earned within the state. Local governments levy property taxes on property owners based on the value of their property. The state and local governments collect sales taxes on the retail sale of goods.

PROPOSAL

Repeals Costa-Hawkins. The measure repeals the limits on local rent control laws in Costa-Hawkins. Under the measure, cities and counties can regulate rents for *any* housing. They also can limit how much a landlord may increase rents when a new renter moves in. The measure itself does not make any changes to local rent control laws. With a few exceptions, cities and

ANALYSIS BY THE LEGISLATIVE ANALYST

CONTINUED

counties would have to take separate actions to change their local laws.

Requires Fair Rate of Return. The measure requires that rent control laws allow landlords a fair rate of return. This puts the results of past court rulings into state law.

FISCAL EFFECTS

Economic Effects. If communities respond to this measure by expanding their rent control laws, it could lead to several economic effects. The most likely effects are:

- To avoid rent regulation, some landlords would sell their rental housing to new owners who would live there.
- The value of rental housing would decline because potential landlords would not want to pay as much for these properties.
- Some renters would spend less on rent and some landlords would receive less rental income.
- Some renters would move less often.

These effects would depend on how many communities pass new laws, how many properties are covered, and how much rents are limited. Voters in some communities have proposed expanding rent control if this measure passes. If many localities enacted strong rent regulation, other economic effects (such as impacts on housing construction) could occur.

Changes in State and Local Revenues. The measure's economic effects would affect property tax, sales tax, and income tax revenues. The largest and most likely impacts are:

- **Less Property Taxes Paid by Landlords.** A decline in the value of rental properties would, over several years, lead to a decrease in property tax payments made by owners of those properties.
- **More Sales Taxes Paid by Renters.** Renters who pay less in rent would use some of their savings to buy taxable goods.
- **Change in Income Taxes Paid by Landlords.** Landlords' income tax payments would

change in several ways. Some landlords would receive less rental income. This would reduce their income tax payments. On the other hand, over time landlords would pay less to buy rental properties. This would reduce expenses they can claim to lower their income tax payments (such as mortgage interest, property taxes, and depreciation). This would increase their income tax payments. The measure's net effect on income taxes paid by landlords in the long term is not clear.

Overall, the measure likely would reduce state and local revenues in the long term, with the largest effect on property taxes. The amount of revenue loss would depend on many factors, most importantly how communities respond to this measure. If several communities expand moderate rent control to cover most of their rental housing, revenue losses could be in the tens of millions of dollars per year. If few communities make changes, revenue losses would be minor. If many communities pass strong rent control, revenue losses could be in the hundreds of millions of dollars per year.

Increased Local Government Costs. If cities or counties create new rent control laws or expand existing ones, local rent boards would face increased administrative and regulatory costs. Depending on local government choices, these costs could range from **very little to tens of millions of dollars** per year. These costs likely would be paid by fees on owners of rental housing.

Visit <http://www.sos.ca.gov/campaign-lobbying/cal-access-resources/measure-contributions/2018-ballot-measure-contribution-totals/> for a list of committees primarily formed to support or oppose this measure. Visit <http://www.fppc.ca.gov/transparency/top-contributors/nov-18-gen.html> to access the committee's top 10 contributors.

If you desire a copy of the full text of the state measure, please call the Secretary of State at (800) 345-VOTE (8683) or you can email vigfeedback@sos.ca.gov and a copy will be mailed at no cost to you.

★ ARGUMENT IN FAVOR OF PROPOSITION 10 ★

The rent is too damn high! Voting YES on Proposition 10 will free our local communities to decide what rent control protections are needed, if any, to tackle the housing crisis. Prop. TEN protects TENants.

Too many families spend over half their income on housing. That's simply unacceptable. Living paycheck to paycheck means it's difficult for these families to make ends meet, much less save for an emergency. Seniors on fixed-incomes have less to spend on food and medicine. Many of the people who should be the foundation of our local communities—the teachers, nurses and firefighters—are forced to move far away from the communities they serve because corporate landlords are doubling or even tripling the rent. With so many families struggling, many are driven to move away from California altogether, leaving jobs, relatives and schools behind. Even worse, many are forced into homelessness and living on the streets. With every 5% rent increase, 2,000 more people are forced out of their homes—a devastating blow to them and an even worse homeless problem for California to cope with.

Voting YES on Prop. 10 will allow cities that need it to pass laws limiting rent increases. Prop. 10 does NOT mandate rent control. It does NOT force any community to adopt any rent control measures that would not be a good fit for their own housing situation. It does NOT force any one-size-fits-all solutions on any city. Instead, Prop. 10 simply allows communities that are struggling with skyrocketing housing costs to put an annual limit on how much rents can be raised. Communities are free to bring more fairness to housing, ensuring that tenants have protections against huge rent increases, while ensuring that landlords receive a fair rate of return with reasonable yearly increases.

Voters have heard a lot of confusing arguments about Proposition 10. Don't believe the attacks. Wall Street corporations like the Donald Trump-linked Blackstone have spent millions of dollars to fight this measure because they are terrified this will cut into the huge profits they make from the thousands of foreclosed homes they buy. They don't care that California families are being crushed by high rent. It's time to take a stand FOR affordable housing and against greedy Wall Street billionaires and corporate landlords by voting YES on Prop. 10.

Prop. 10 is a limited measure that answers one question: who decides housing policy—local communities or Sacramento special interests and powerful real estate investors? It doesn't establish new housing policies, it just lets local communities—which are closer to the people—decide what works best for them. It's time we had the power to tackle the problems of homelessness and skyrocketing rent within our own communities.

California nurses, teachers, seniors, organized labor, including SEIU State Council, housing advocates, civil rights groups, clergy and faith-based groups and other organizations you trust all urge YES on Proposition 10. Remember, Prop. TEN protects TENants.

Get the facts about Proposition 10:
www.VoteYesOnProp10.org

ZENEI CORTEZ, Co-President
California Nurses Association
NAN BRASMER, President
California Alliance for Retired Americans
ELENA POPP, Executive Director
Eviction Defense Network

★ REBUTTAL TO ARGUMENT IN FAVOR OF PROPOSITION 10 ★

PROP. 10 WILL MAKE THE HOUSING CRISIS WORSE, NOT BETTER

The sponsors of Prop. 10 want you to believe it will “magically” solve our housing crisis, but it's badly flawed and will just make the housing crisis worse. Prop. 10:

- Allows regulation of single family homes
- Puts bureaucrats in charge of housing decisions
- Gives as many as 539 rental boards the power to add fees on top of rent
- Puts taxpayers at risk for millions in legal costs
- Adds tens of millions in new costs to local governments

AFFORDABLE HOUSING LEADERS AGREE: NO ON PROP. 10

“Prop. 10 prevents any future statewide housing solutions and handcuffs the legislature and governor from adopting tenant protections.”—Alice Huffman, President, California State Conference NAACP

“Prop. 10 does nothing to build new affordable housing that families desperately need.”—John Gamboa, Co-Founder, The Two Hundred—a coalition of 200+ social justice leaders

“Under Prop. 10, families searching for affordable housing will find themselves with even fewer choices and more

expensive housing options.”—Robert Apodaca, Executive Director, United Latinos Vote

“For seniors on Social Security and fixed incomes, Prop. 10 could be devastating.”—Marilyn H. Markham, Board Member, California Senior Advocates League

“Prop. 10 allows bureaucrats to tell homeowners what they can and cannot do with their own homes.”—Stephen White, President, California Association of REALTORS

“Prop. 10 would allow unelected bureaucrats to impose fees on all housing, including single-family homes, with no vote of the people or local elected body.”—Jon Coupal, President, Howard Jarvis Taxpayers Association

Join independents, Democrats, Republicans, renters and homeowners, seniors, taxpayers, and minority groups in voting NO on Prop. 10!

ALICE A. HUFFMAN, President
California State Conference of the National Association for the Advancement of Colored People (NAACP)

BETTY JO TOCCOLI, President
California Small Business Association
MARILYN H. MARKHAM, Board Member
California Senior Advocates League

★ **ARGUMENT AGAINST PROPOSITION 10** ★

PROP. 10 IS BADLY FLAWED AND WILL MAKE OUR HOUSING CRISIS WORSE. VOTE NO.

• PROP. 10: BAD FOR CURRENT AND FUTURE HOMEOWNERS

“Prop. 10 could hurt homeowners by authorizing a new government bureaucracy that can tell homeowners what they can and cannot do with their own private residence. It could make homes more expensive for future buyers and hurt families trying to purchase their first home.”—Stephen White, President, California Association of REALTORS

• PROP. 10: BAD FOR RENTERS

“Tens of thousands of renters, INCLUDING SENIORS AND OTHERS ON FIXED INCOMES, could be forced out of their apartments and communities under Prop. 10, which allows wealthy corporate landlords to turn apartments into condos and short-term vacation rentals. It will increase the cost of renting and make it even harder to find affordable housing.”—Alice Huffman, President, California State Conference NAACP

NO ON 10—TOO MANY FLAWS:

• ALLOWS REGULATION OF SINGLE FAMILY HOMES

Prop. 10 repeals protections homeowners have enjoyed for over 20 years, and lets the government dictate pricing for privately owned single-family homes, controlling how much homeowners can charge to rent out their home—or even just a room. Prop. 10 might even lead to bureaucrats charging homeowners a fee for taking their home off the rental market.

• PUTS BUREAUCRATS IN CHARGE OF HOUSING

Prop. 10 puts as many as 539 rental boards in charge of housing, giving government agencies unlimited power to add fees on housing, ultimately increasing rents and making homes and apartments more expensive. These boards may have unlimited power to set their salaries and benefits, while adding fees to housing that will be passed on to tenants in the form of higher rents.

• PUTS TAXPAYERS AT RISK FOR MILLIONS IN LEGAL COSTS

If homeowners, tenants or voters challenge the law in court, Prop. 10 requires California taxpayers to pay the sponsors' legal bills. Taxpayers could be stuck paying millions of dollars for a poorly drafted and flawed measure.

• ADDS TENS OF MILLIONS IN NEW COSTS TO LOCAL GOVERNMENTS

The state's non-partisan Legislative Analyst says Prop. 10 could increase costs for local governments by tens of millions of dollars per year and cost the state millions more in lost revenue. This could result in less money for schools and emergency services, reduced new home construction, and a loss of thousands of well-paid construction jobs.

• DRIVES UP THE COST OF EXISTING HOUSING

New government fees and regulations will give homeowners a huge financial incentive to convert rental properties into more profitable uses like short-term vacation rentals, increasing the cost of existing housing and making it even harder for renters to find affordable housing in the future.

BOTTOM LINE: PROP. 10 HAS TOO MANY FLAWS AND WILL MAKE THE HOUSING CRISIS WORSE.

Learn why voters from every political persuasion and corner of California are voting NO on Prop. 10 at www.ReadItForYourself.com

American G.I. Forum of California, California Senior Advocates League, California State Conference NAACP, California Association of REALTORS, Family Business Association of California, Howard Jarvis Taxpayers Association, California Chamber of Commerce, California Business Roundtable, United Latinos Vote

ALICE A. HUFFMAN, President
California State Conference of the National Association for the Advancement of Colored People (NAACP)

FREDERICK A. ROMERO, State Commander
American G.I. Forum of California

STEPHEN WHITE, President
California Association of REALTORS

★ **REBUTTAL TO ARGUMENT AGAINST PROPOSITION 10** ★

Don't be fooled by the corporate special interests opposing Proposition 10. If they wanted to help renters afford housing, a basic human need, California wouldn't be in this housing crisis. Follow the money: Wealthy real estate interests, corporate landlords and Wall Street investors have profited from the current system for decades. These big corporations shamelessly double or even triple rent because they can get away with it. They make HUGE PROFITS from the housing crisis they helped create. No wonder they don't want to fix it!

Who Supports Prop. 10? Nonprofit organizations, teachers, nurses, retirees, labor, faith-based groups, housing advocates, and California Democratic Party all urge YES because Prop. TEN protects Tenants.

Tenants and homeowners should vote YES to keep communities strong. It enables working people—teachers, firefighters, long-term care workers, grocery clerks—to live in communities they serve, while still affording basic needs like food and childcare. Greedy corporate landlords are forcing too many disabled and seniors on fixed-incomes to choose between rent or medicine, and they're forcing more low-income families into homelessness—a growing, costly crisis.

Prop. 10 doesn't mandate new laws or bureaucracies for

any community—it just gives YOU, the people, the power to develop rent control policies for YOUR community.

People win, not the greedy special interests. The rent is too damn high! YES on TEN to protect Tenants.

SUPPORTED BY CALIFORNIA DEMOCRATIC PARTY; California Nurses Association; Housing California; National Urban League; ACLU of California; AIDS Healthcare Foundation; Property Owners for Fair and Affordable Housing; Painters & Allied Trades 36; Service Employees International Union (SEIU); American Federation of State, County and Municipal Employees (AFSCME); Humboldt and Del Norte Counties Central Labor Council AFL-CIO; California Rural Legal Assistance Foundation; Western Center on Law and Poverty; National Action Network-Los Angeles; Central Coast Alliance United for a Sustainable Economy; and tenant organizations throughout the state.
www.VoteYesOnProp10.org

ERIC C. HEINS, President
California Teachers Association

REV. WILLIAM D. SMART, JR., President, Southern Christian Leadership Conference of Southern California

ROXANNE SANCHEZ, President
SEIU California