

Committee of the Proposed City Charter
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RENT CONTROL INFORMATION

The Committee has requested information regarding rent control laws in California and on the municipal level. There is no general state law that regulates rents or other rental terms and conditions that a landlord can impose; however, state general law does restrict the types of properties and nature of tenancies that are subject to local regulation. Therefore, there are limited circumstances by which the proposed city charter may expressly control rents.

Rent control is a form of regulatory price control that limits the amount a property owner can charge for renting out a home, apartment or other real estate. Rent control acts as a price ceiling by preventing rents either from being charged above a certain level or from increasing at a rate higher than a predetermined percentage. The purpose of rent control is to ensure that a city has a certain amount of affordable housing for lower- and middle-income residents by protecting tenants against excessive rent increases. Without rent control, rental rates would rise and fall based on supply and demand. Cities that are desirable places to live could easily become overpriced for all but the wealthiest residents, causing problems with the labor market and creating large economic inequality.

Regulation of the rent charged for residential rental units (duplexes, multifamily apartment buildings, and mobilehome spaces) is within cities' police power. Cal Const. art XI, §5 (charter cities), §7 (general law cities). However with few exceptions, units constructed after February 1, 1995, and units that are separately alienable from the title of any other dwelling (single-family homes and condominiums) are statutorily exempt from local rent regulations. Moreover, cities may not apply inclusionary zoning ordinances (requiring a percentage of newly constructed housing to be affordable) to rental housing unless the owner agrees by contract in exchange for an incentive.

I. Costa-Hawkins Rental Housing Act

California's Costa-Hawkins Rental Housing Act ("Hawkins Act") is preempting state general law that provides that "notwithstanding any other provision of law" the owner of residential property for which a certificate of occupancy issued after 1995 "may establish the initial and all subsequent rental rates." The Act places limits on municipal rent control ordinances in two major ways: (1) it protects a landlord's right to raise the rent to market rate once a tenant moves out by eliminating vacancy control and (2) it prevents cities from establishing rent control – or capping rent – on units constructed after February 1995. CC §1954.50 *et seq.* With certain exceptions, Costa-Hawkins allows a landlord to increase the rent for an apartment otherwise subject to rent control once it is vacated. CC §§1954.52-1954.53. The Act does not apply to mobilehome parks.

II. Rent Control in Los Angeles Municipalities

An example of a municipal rent control ordinance is the City of Los Angeles's Rent Stabilization Ordinance (RSO), which was enacted in 1979. Under the RSO, and pursuant to the Hawkins Act, yearly rent increases are capped at 3 to 8 percent yearly. The RSO also established the Rent Adjustment Commission of Los Angeles, which consists of seven members comprised of individuals who are neither landlords nor tenants of residential property. The Commission has the authority to issue orders and promulgate policies, rules, and regulations to effectuate the purposes