January 10, 2018

The Honorable David Chiu
Chair, Assembly Housing and Community Development Committee
California State Assembly
1020 N Street, Room 162
Sacramento, CA 94249 - 0046

SUBJECT: OPPOSE AB 1506 (Bloom, Chiu, and Bonta)

Dear Assemblymember Chiu:

On behalf of the Los Angeles Area Chamber of Commerce, which represents more than 1,650 organizations and 650,000 employees in the region, I am writing in opposition to AB 1506 (Bloom, Chiu, and Bonta) which would repeal the Costa-Hawkins Rental Housing Act.

The Costa-Hawkins Rental Housing Act does not prohibit rent control, it simply creates a statewide framework that facilitates a reasonable execution of rent control at the local level. This framework provides important protections for property owners and controls for local governments. Local government can administer rent control within the confines of this law, by extending rent control to properties built before February 1, 1995. For newer buildings, it limits local government’s ability to apply rent control to newly constructed properties and allows landowners of rent control properties to adjust rents to market rate once a property transfers from one tenant to another. Additionally, Costa-Hawkins Act prohibits rent control of single-family houses and condominiums.

This law was enacted in response to extreme rent control laws in a number of cities that had significant negative impacts. Passed with bipartisan support in 1995 to foster stability in the housing market, this law has improved the detrimental impact of price controls and incentivized the creation of much needed housing.

AB 1506, which repeals the Costa-Hawkins Act, would exacerbate our state’s housing shortage. Unchecked rent control measures on the local level are a deterrent in creating more housing and improving existing stock. Moreover, a number of rental property owners may get out of business by evicting tenants and selling the property, which will devastate the housing shortage even more. Rent control contributes to the unaffordability of housing and deters the construction of housing since it is not economically feasible.

California’s current housing crisis exists due to a severe lack of supply, which AB 1506 would exacerbate. According to the Office of the Legislative Analyst, government attempts to make housing more affordable, like rent control, do “very little to address the underlying cause of California’s high housing costs: a housing shortage.”
Rent control is one of the few things most economists agree on. Across ideologies, economists concur that rent control negatively affects both quantity and quality of rental housing. For these reasons, the Los Angeles Area Chamber of Commerce opposes AB 1506. If you have questions please contact Olivia Lee, Manager of Public Policy, at (213) 580-7531 or olee@lachamber.com. Thank you.

Sincerely,

Gary Toebben  
President & CEO