

RENT CONTROL

Under existing law, in the absence of state or local law to the contrary, rental rates for real property are established by contractual agreement. Over 100 jurisdictions have established, through ordinance or initiative, some form of rent control on multifamily rental housing or mobilehome park spaces.

Proponents of rent control argue that either state regulation or the prohibition of rent control is inappropriate - each community is unique and local circumstances should determine whether rent control is warranted. Rent control protects persons with low incomes from high rents which result from speculation, low vacancy rates, or the desire for higher profits.

Opponents of rent control argue that rent controls deter new construction of rental housing and discourage investment. Further, rent controls that do not offer adequate returns inhibit the proper maintenance and upkeep of residential property. Finally, it is contended that rent control subsidizes rents for persons who can readily afford to pay market rates.

Rent controls may be generally categorized as "severe" or "moderate." Severe rent control is characterized by the continuing control of rent when a unit becomes vacant and prohibits a rent increase when a new tenant occupies the unit (vacancy control). Moderate rent control does not control the rent on a unit when it becomes vacant and permits the rent to rise to the market rate when a new tenant moves in. After this new rent is determined, the rent is again controlled (vacancy decontrol).

Under the Costa-Hawkins Act, California law establishes vacancy decontrol for residential dwelling units where the former tenant has voluntarily vacated, abandoned or been legally evicted. It also provides that the landlord may increase the rent by any amount to the lawful sublessee or assignee of the original occupant when the original occupant no longer resides in the unit permanently and the sublessee or assignee did not reside in the unit prior to January 1, 1996.

Major legislation

AB 1217 (Leno) Chapter 766, Statutes of 2003:

- Creates an exception to the Ellis Act for guestrooms and efficiency units within a residential hotel.

Other legislation

AB 1256 (Koretz) Died in the Assembly Committee on Housing and Community Development:

- Would have allowed an owner of residential real property to establish the rental rates for a dwelling or a unit that had a certificate of occupancy that is 25 years old or less.
- Would have allowed a local jurisdiction to control the rental rates of a dwelling or unit older than 25 years.

AB 2088 (Dutra) Died in the Senate Inactive File:

- Would have allowed an owner of a residential property in a rent-controlled jurisdiction to increase the rent of the occupant who did not reside at the rental unit prior to January 1, 1996 when the original occupant or occupants no longer permanently reside in that unit.
- Would have provided that any rent increase to an occupant from January 1, 1996 to May 1, 2004 are not the subject of judicial proceedings or an administrative agency that regulate rent, shall not be reduced or invalidated on the basis that the occupant was not a sublessee or assignee.

SB 178 (Cedillo) As Introduced:

- Would have provided the following additional exception to Costa-Hawkins Rental Housing Act, where a public entity offers to provide financial or other incentives to a developer, and the rent of the dwelling unit is restricted pursuant to a local ordinance that required developers of new units to provide below market rate rent for a specified portion on the units.

As amended September 9, 2003 (Torlakson) Died in the Assembly Committee on Rules:

- Would have provided that provisions of AB 1426 (Steinberg), a measure that creates a pilot affordable housing production standards program in the greater Sacramento region, not take effect until a financing plan of its provisions are enacted.