

California: Rent Control Message Guidance

In a Nutshell

Housing costs are rising in California because [we haven't built enough homes](#) to keep pace with the growing demand to live and work in our state.

- The only reliable way to keep housing costs in check is by building many new homes of every shape and size, especially near jobs, where the demand for housing is highest.

If rent control worked, it would have worked already.

- San Francisco has [the 2nd highest rents in the country](#) even though it first enacted rent control in 1979 and actually strengthened its rent control ordinance in the mid-90s, well before the tech boom.

Rent control is not just ineffective – it's [counterproductive](#).

- Rent control makes the housing shortage worse by discouraging builders from supplying new housing.
- Rent control lowers property values, not just for landlords, but for homeowners too, and not just in communities that have rent control but in nearby communities as well.

Housing Affordability & Supply

However well-intentioned, rent control does nothing to address the housing affordability crisis. Rather, it makes the crisis worse, in both the short-term and the long-term, by reducing the supply of rental housing, discouraging builders from supplying new housing, and forcing newcomers to a community into fierce competition for a smaller number of vacant homes.

- In San Francisco, rent control caused the supply of rental housing to *immediately* shrink.
 - Researchers found that when rent control was enacted, landlords responded by simply getting out of the rental business. Many either converted their rental units to owner-occupied condos or demolished their buildings and replaced them with new, higher-end condominiums for sale.
 - This caused rents citywide to rise sharply as [the supply of rental housing shrank](#).
- Rent control discourages housing suppliers from building new homes and apartments, the only long-term solution to the housing shortage we face.
 - Survey data confirm that housing suppliers avoid building in areas where rent control applies.
 - A recent survey of builders across the country found that [nearly 88 percent avoid working in jurisdictions with rent control](#).

- Another survey found that nearly 6 in 10 multifamily builders were [reducing their investment in rent-controlled markets](#) or avoiding making these investments altogether, with an additional 15 percent of respondents considering cutting back in those markets.
- Even when rent control provides exemptions for new construction, [builders remain fearful](#) that the policy will change in the future and that rent regulation will eventually apply to new homes as well.
- In St. Paul, Minnesota, applications to build new housing [fell by 82%](#) after voters enacted rent control, further intensifying competition between prospective residents looking for rental housing. But in nearby Minneapolis, where rent control was not enacted, builders continued to bring new housing units online.
- Studies have shown that rent control makes it harder to find an apartment, [limiting the options and choices available to renting families](#) about where to live and how much housing they need. For example:
 - Young families with children tend to need more bedrooms than empty nesters, for instance. But because rent control shrinks the supply of rental housing and discourages new housing from being built, it makes it harder for growing families to switch to an apartment that better suits their needs.
 - Likewise, for the very same reason that young families find it hard to upgrade their housing options under rent control, studies have shown that empty nesters have trouble downsizing in rent-controlled communities. After their kids grow into adults and move out, these empty nesters hang on to more space than they need – more space than they may even want to rent – because there’s not enough housing to go around.

Property Values & Housing Quality

Not only does rent control worsen the housing shortage, causing rents to rise even faster, it also lowers property values and degrades the quality of rental housing over time.

- Studies have shown that rent control causes the quality of rental housing to decay, as landlords spend less over time maintaining and renovating their rentals because they can’t fully recoup these costs under rent control. For example:
 - Researchers found that, in Cambridge, Massachusetts, buildings subject to rent control were [“older, in worse condition, and more in need of a variety of very essential repairs.”](#)
- This gradual disinvestment in rent-controlled apartments has an effect not just on the quality of housing available to renting families, and not just on the value of the rental properties themselves, but on [the desirability of surrounding neighborhoods](#) and on the property values of *both* rent-controlled apartments *and* owner-occupied homes.
 - This means that middle-class homeowners pay for rent control with blighted neighborhoods and lower property values for their homes.
- Because rent control reduces property values it also reduces property tax revenues, a critical source of funding for California’s public schools and first responders.
 - State law in California requires the Attorney General to analyze the fiscal impact of ballot initiatives, in the event they pass. With a previous ballot measures to allow more rent control in California cities, the A.G.’s office was

forced to admit that reductions in property tax revenue due to lower property values would be [“the largest and most likely”](#) fiscal impact of more rent control.

- That means rent control jeopardizes the ability of local governments in our state to provide vital services to our residents, including well-funded public schools to emergency response to even affordable housing funding itself.

What’s the Solution?

The only way to keep California affordable for working families is by ensuring that the supply of housing keeps pace with housing demand.

- In the decade from 2010 to 2019, California permitted *less than half* the number of housing units as it did in the 1960s, even though our population has *doubled* since then.
 - To begin reversing the housing shortage and keep housing prices in check, California needs to build 27,000 new homes every year, much more than we built back in the ‘60s.
- We need to build more homes near jobs, where the demand for housing is especially high.
 - Between 2008 and 2019, as the tech industry flourished, nearly 417,000 jobs were created in the San Francisco Bay Area. But over the same period, [less than 121,000 new homes were permitted](#) by Bay Area communities. That’s just 1 new unit of housing for every 3 ½ jobs created.
 - The mismatch between housing growth and job growth – between supply and demand – resulted in a huge housing shortage.
 - That’s why rents in San Francisco have risen [nearly 70%](#) over the same period: too little supply in the face of ever-growing demand to live and work in the Bay Area.
 - By building more housing near jobs, we can also reduce pollution from commuter travel, helping us achieve our climate goals in the process.
- We need build a wider variety of homes of all shapes and sizes to fit the needs of our diverse population.
 - The housing options we need change in the different phases of our lives. The housing we needed when were students won’t fit our needs as parents. The home or apartment that’s just right for us when we’re raising a family may not suit us as well in retirement.
 - That means everything from apartments and duplexes to single-family homes and townhomes to accessory dwelling units and even dingbats. We need a housing stock as diverse as the population of our state.

Dos & Don'ts

Do focus your message on people and their diverse needs, rather than buildings and their characteristics.

Do emphasize the importance of *allowing* a *variety* of housing *options* in your community.

Do describe the high quality of life dense development patterns afford – being able to walk to work, school, and the grocery store; less traffic; vibrant local businesses and restaurants. Describe these benefits without using the word density.

Do emphasize that workers and families should have the option to live near their jobs and near “good” schools and parks. “Good schools and parks” resonate more than “the best schools and parks.”

Do emphasize that we need to allow more starter homes, or modestly sized homes. These types of homes can give renting families an entry point to your community.

Do refer to tenants as “renting families,” when it makes sense, instead of “renters.”

Do empower your audience by framing it as a choice: we can **EITHER** [expand housing options and choices, keep our community affordable, etc.] **OR** [watch prices rise, lose what makes this community special, etc.].

Do **NOT** use the word “density.”

Do **NOT** use the phrase “ban/eliminate single-family-zoning.” That kind of framing makes readers think that something is being taken away even though the opposite is true.

Do **NOT** use the words “developer,” “develop,” or “development.” People trust “builders” and “suppliers,” but not developers.

Do **NOT** use the word “gentrification” when displacement would better describe what you mean.

Do **NOT** characterize multi-family housing types as “cheap.”

Do **NOT** attempt to sell your audience too aggressively on the benefits of development.

Tough Qs & As

Q: I acknowledge that rent control can discourage builders from bringing new housing supply online. Why can't we get around that simply by exempting new construction from rent control?

NO. Not at all.

- First, even when rent control provides exemptions for new construction, [builders remain fearful](#) that the policy will change in the future and that rent regulation will eventually apply to new units as well.
- Second, and perhaps more importantly, exempting new construction from rent control could supercharge price increases.
 - Researchers have found that in New York, non-rent-controlled units were rented for up to 25 percent more than they would have been if rent control were not in place.
 - In Los Angeles, researchers found that rents for non-controlled units increased more than three times faster as a result of the rent control policy.
 - This is because tenants in rent-controlled apartments tend to stay in those units longer than they would otherwise, meaning vacancies in these units are rare, reducing the options available for both newcomers and incumbent residents looking for an apartment.

Q: Why shouldn't landlords shoulder the burden keeping housing affordable? That's what rent control does it makes landlords foot the bill for affordable housing.

Numerous studies have shown that rent control results in higher rents and less affordable housing over the long term. But even if it did keep cities affordable – which it does not – rent control would still cost taxpayer dollars.

- Rent control causes communities lose out on tax revenue that they would otherwise collect. There are three reasons for this.
 - First, rent control reduces income tax revenue, both from corporate and individual payers, by reducing gross rents and hence the taxable income of landlords.
 - Second, rent control reduces property values and therefore reduces property tax revenue, a critical source of funds for public schools, first responders, and – yes – affordable housing.
 - A 1988 study on rent control in New York City, for example, estimated that rent control resulted in a \$4 billion loss of taxable assessed residential property in New York, which meant in turn that the city lost at least \$370 million in property tax revenue annually. Those figures have not been adjusted for inflation and would be significantly higher if the study were conducted today.

- Because rent control reduces property values, it also reduces capital gains tax revenue that would otherwise be collected when these properties are sold.
- There are also upfront costs for any community that enacts rent control.
 - These communities must hire staff with public dollars and create costly bureaucratic procedures to ensure compliance with rent regulations.

Q: Even if rent control doesn't make housing more affordable, doesn't it at least prevent displacement and gentrification?

NO. In fact, research has shown that [rent control can accelerate displacement and gentrification](#).

- A landmark study conducted by three Stanford economists found that, when rent control was enacted in San Francisco, landlords responded by simply getting out of the rental business.
 - Many either converted their rental units to owner-occupied condos or demolished their buildings and replaced them with new, higher-end condominiums for sale.
- As a result, the number of San Francisco residents living in rent-controlled units dropped rapidly by 25%, with many of these displaced residents being subsequently replaced by higher-income individuals. That's how rent control can actually jumpstart displacement and gentrification despite being seen as an easy way to keep renting families in their neighborhoods.