

Potential Repeal of the Costa Hawkins Rental Housing Act

What is Costa-Hawkins?

The Costa-Hawkins Rental Housing Act is a California law that restricts and preempts local rent control laws.

Costa-Hawkins restricts and preempts local rent control laws in three ways:

1. It exempts from local rent control law single-family properties and individually-owned condos regardless of when they were built;
2. It exempts from local rent control law all new construction built after 1994; and
3. For those properties subject to rent control, it allows landlords to raise rents to market rate at the beginning of a new tenancy.

What is Costa-Hawkins repeal?

Costa-Hawkins repeal is a ballot measure called “The Affordable Housing Act” that will appear on the November ballot this year. It is a complete and wholesale repeal of Costa-Hawkins along with its protections. While the repeal measure alone does not enact any rent control law, its passage would open the door for cities to impose any form of rent control without limit.

How would the repeal affect small owners and real estate professionals?

Owners of single-family houses and condos could be subject to rent control. These types of units are common among small “mom and pop” owners and often are an important fixed income supplement for these owners during retirement. Similarly, for real estate professionals, lifelong retirement savings are often invested in what they know best, real estate. Real estate professionals make up some of the small investors whose retirement income is being threatened by the imposition of rent control and the resultant loss of value to their property.

How would the repeal of Costa-Hawkins affect builders?

Builders who are considering new projects would have to consider the possibility of a city rent control law. This alone could have a devastating impact on new residential construction.

If Costa-Hawkins is repealed, will the re-imposition of rent control laws help or worsen the affordable housing crisis in California?

Most professionals agree that it will make it worse. Rent control is among the most-understood issues in all of economics – rent control reduces the quality and quantity of housing. The adverse side effects of rent control are well-documented. In rent-controlled areas, rents on uncontrolled apartments increase, often dramatically. Consequently, potential renters find it difficult to locate affordable rental housing. Also, new apartment construction would be limited because landlords fear that controls will be extended, thus making it unprofitable to build.

What is C.A.R. doing?

The C.A.R. Board of Directors strongly opposes the Costa-Hawkins repeal measure because of the devastating impact it is likely to have on the housing market and the well-documented adverse side effects of rent control. The C.A.R. Board of Directors has authorized spending of \$1.5 million to oppose the Costa-Hawkins repeal measure.