



Housing Freeze Could Result In Combined State and Local Revenue Losses of Up to \$1.3 Billion Annually

- Initiative Proponent is Anti-Union Michael Weinstein. Weinstein has a history of backing anti-union efforts. He promoted labor-opposed Measure S in LA County in 2017 and in 2013 he opposed union organizing of his employees.
- **Less Revenue for State and Local Government.** The unintended consequences of this measure will lead to economic output losses exceeding \$5.7 billion, employment losses exceeding 38,000 jobs, and **combined state and local revenue losses of up to \$1.3 billion annually** due to reduced property values and less construction-related economic activity in the state.
- **Potential cuts in key state and local services.** The lost \$1.3 billion in state and local revenues would significantly lower funds available for health, in-home healthcare, public safety and other key state and local services.
- **Revenue losses to the state general fund could top \$690 million**, which could reduce funds for the University of California and Cal State University systems, Medi-Cal, state highways and vital transportation projects.
- **Local property taxes set aside for schools could also drop by as much as \$400 million annually.** In most years, that money would be backfilled by the state general fund. But in some years, the reduced property tax revenues will not be fully restored, causing schools to take a financial hit.
- **Instability in CalPERS and Public Employee Pensions.** There are 20 real estate investment trusts (REITs) in CalPERS portfolio that own rental properties in California and could be adversely affected by poorly drafted rent control ordinances. These **20 funds have combined market value of \$368 million**, and one-third of their total assets - \$125 million - is related to California real estate. These investments would be at serious risk if California repeals Costa-Hawkins.
- **Does Not Target Most Vulnerable.** Economists agree that this measure will lead to bad public policy for a variety of reasons:
 - It will reduce the amount of housing available by constraining new construction and encouraging conversions of existing units to condos;
 - Poorly targets any benefits to lower income renters; and,
 - Promotes sprawl and housing discrimination.
- **Does Not Increase Housing Supply.** LAO points out that expanding the number of housing units covered and prohibiting landlords from resetting rents to market value for new tenants will not increase the supply of housing in CA and likely would discourage new construction in the state.
- The Housing Freeze will not make rental housing more affordable for lower-income renters, all it would accomplish is exacerbating California's current housing crisis.

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