



Weinstein's Housing Freeze Will Heighten Housing Affordability Crisis

California's housing crisis needs real solutions that increase the supply and availability of housing and that provide more affordable housing options for working families. Unfortunately, Weinstein's Housing Freeze is the wrong approach and will heighten our housing affordability crisis. The poorly-drafted measure goes further than repealing decades-old rent control rules that help ensure continued investment in rental housing construction. It also enacts new policies that create uncertainty for renters; hurt homeowners; cost taxpayers millions; and grant new, legal powers to proponents.

Heightens Affordable Housing Crisis

The Housing Freeze contains zero funding for affordable housing and contains no requirements that it be built. Instead it will discourage construction of new rental units. It will also encourage conversions of existing rental units to condos, further diminishing supply of rental housing and increasing costs.

- According to a report by McKinsey Global Institute, housing construction has not kept pace with demand. California needs to build 3.5 million more homes by 2025 to meet our housing needs.
- The State's Independent Legislative Analyst has said that expanding rent control or instituting vacancy control would not increase supply and would "likely discourage new construction."
- Stanford economists Rebecca Diamond and Tim McQuade recently published a report that highlighted the unintended consequences of rent control. Diamond told [SF Gate](#): "*Rent control exacerbates the housing shortage by pushing landlords to remove supply of rental housing. ... [the expansion of rent control in the long term] the rental market will make all rents more expensive by causing landlords to remove supply.*"
- The Housing Freeze does nothing to help our most vulnerable populations because it fails to target those most in need. For example, a computer science engineer making \$250,000 could be paying the same rent as a teacher making \$35,000 a year.

Expands the Legal Boundaries of What Property Owners May Charge for Rent

Section 5 of the Housing Freeze enacts a new civil code section which changes the definition used in most existing rent control ordinances to establish what property owners may charge for rent. The standard terminology says that property owners are entitled to a "fair return on their investment." The Housing Freeze changes this terminology to "fair return on a property."

- This new definition arguably grants property owners rights to higher rents than allowed under existing case law or ordinances.
- The initiative places no limits on annual or other rent increases that can be granted to property owners by local government.
- This section will most likely be the subject of costly litigation as it breaks from existing case law and as both local governments and property owners try to sort out what a fair return on a property means.

Hurts Homeowners Through Reduced Property Values & Loss of Supplemental Income

The Housing Freeze changes existing law to open the door for imposing rent control on single family homes. This will impact homeowners in a couple of ways:

- Single-family homes subject to rent control will not be as valuable as homes in jurisdictions that do not impose rent control ordinances. This will have a real impact on people's economic well-being as homes are most people's single biggest financial investment.

- Additionally, many seniors choose to rent their single-family homes for supplemental income in their retirement years, or when they are in assisted living facilities. The Housing Freeze will threaten this safety-net income for many seniors.

Establishes Expansive, New Rights for Trial Attorneys that Interfere with Local Control and Will Cost State Taxpayers

The Housing Freeze grants the initiative's proponents the right to intervene in certain court action to defend the initiative's constitutionality – **with all their legal fees to be paid by the State of California and its taxpayers regardless if the proponents win or lose.** This means that:

- The proponents of the initiative get to decide if a city, county or the state has failed to defend the initiative to the proponents' satisfaction.
- It could prevent cities and counties from settling lawsuits over rent control ordinances as such settlements could constitute a failure to defend the measure.
- The initiative language is so poorly written that proponents could intervene on behalf of a local government in any lawsuit challenging the initiative, even if the lawsuit was pending in a different jurisdiction.
- This will create a new cottage industry for trial attorneys funded by taxpayers and the state of California.

Results in Less Revenue for State and Local Government and the Programs They Fund

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.

Cannot be Easily Changed Without Another Statewide Initiative

The Housing Freeze contains language that restricts the legislature from fixing any unintended consequences from the initiative.

- It can only be amended by the Legislature with a 2/3 vote and only to further its purpose.
- The initiative contains language that explicitly requires another statewide initiative to change it.

Paid for by Californians for Responsible Housing, Sponsored by the California Apartment Association. Committee Major Funding from Essex Property Trust, Inc., and Affiliated Entities; Equity Residential; AvalonBay Communities, Inc. Funding details at www.fppc.ca.gov.