PUBLIC REQUEST TO ADDRESS
THE BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES, CALIFORNIA

Correspondence Received

			The following individuals submitted comments on agenda item:	
Agenda #	**Relate To**	**Position**	**Name**	**Comments**
35.	65	**Favor**	Allison Riley	I want to support the Supervisors in making sure that rent increases are reasonable and fair. The proposed amendments seem to do that. There's no reason to increase greater than CPI except to favor corporate landlord profits over working class folks. Maintaining rent protections, limiting increases, and making sure folks can continue to stay housed should be the focus of Board of Supervisors. Thank you.
			Annalisa Bejarano	With LA being in the top 3 cities with the highest number of houseless citizens, rent stabilization is crucial in ensuring that those that are currently renting and housed, are able to stay stably housed. Landlord and developer greed is at an all-time high, there are high rise buildings remain empty as people sleep in the streets. Landlords are evicting good, long-time tenants from homes they've lived in for decades in order to raise the rent. This should be illegal. This ordinance is a solid step in the right direction.
			Cassidy Bennett	I urge the Board to pass the draft ordinance from DCBA amending the rent increase formula in the RSTPO, which will help keep rents affordable for low-income tenants in Unincorporated County. Thank you to Supervisor Mitchell for putting forth the amendments. Keep LA Housed supports the County’s adoption of a formula that is based on 60% CPI with a 3% cap. But we continue to be concerned about the ordinance’s inclusion of additional increases for small landlords. A low-income tenant should not get a higher increase simply because their landlord is a small landlord. Rather than allow extra increases for small landlords, the County should create programs like mortgage and property maintenance support programs for truly struggling mom and pops. In addition, when the ordinance is implemented, the self-certification process for small property owners needs to be as thorough as possible. Whether in the ordinance or guidelines, potential small property owners should have to affirmatively indicate they meet each part of the definition of small property owners in the draft ordinance.

As of: 11/6/2024 7:00:07 PM

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			The following individuals submitted comments on agenda item:	
Agenda #	**Relate To**	**Position**	**Name**	**Comments**
35.	65	**Favor**	Christina Boyar	Hello my name is Christina Boyar. I'm an attorney at Public Counsel and a member of the Keep LA Housed Coalition and I live in District 3. I urge the Board to pass the draft ordinance from DCBA amending the rent increase formula in the RSTPO, which will help keep rents affordable for low-income tenants in Unincorporated County. Thank you to Supervisor Mitchell for putting forth the amendments. Keep LA Housed supports the County's adoption of a formula that is based on 60% CPI with a 3% cap. But we continue to be concerned about the ordinance's inclusion of additional increases for small landlords. A low-income tenant should not get a higher increase simply because their landlord is a small landlord. Rather than allow extra increases for small landlords, the County should create programs like mortgage and property maintenance support programs for truly struggling mom and pops. In addition, when the ordinance is implemented, the self-certification process for small property owners needs to be as thorough as possible. Whether in the ordinance or guidelines, potential small property owners should have to affirmatively indicate they meet each part of the definition of small property owners in the draft ordinance. Thank you.

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			The following individuals submitted comments on agenda item:	
Agenda #	**Relate To**	**Position**	**Name**	**Comments**
35.	65	**Favor**	Edgard Valencia	Hello my name is Edgard Valencia I'm a member of the steering committee for S.A.J.E. and the Keep LA Housed Coalition and I live in the Los Angeles county. I would like to comment on items 35 and 65. We urge the Board to pass the draft ordinance from DCBA amending the rent increase formula in the RSTPO, which will help keep rents affordable for low-income tenants in Unincorporated County. Thank you to Supervisor Mitchell for putting forth the amendments. Keep LA Housed supports the County's adoption of a formula that is based on 60% CPI with a 3% cap. But we continue to be concerned about the ordinance's inclusion of additional increases for small landlords. A low-income tenant should not get a higher increase simply because their landlord is a small landlord. Rather than allow extra increases for small landlords, the County should create programs like mortgage and property maintenance support programs for truly struggling mom and pops. In addition, when the ordinance is implemented, the self-certification process for small property owners needs to be as thorough as possible. Whether in the ordinance or guidelines, potential small property owners should have to affirmatively indicate they meet each part of the definition of small property owners in the draft ordinance.

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Agenda #	**Relate To**	**Position**	**Name**	**Comments**
35.	65	**Favor**	Ryan Bell	My name is Ryan and I live in Pasadena, in County BOS District 5. I am a tenant and a member of the Keep LA Housed Coalition. I would like to comment on items 35 and 65. I urge the Board to pass the draft ordinance from DCBA amending the rent increase formula in the RSTPO, which will help keep rents affordable for low-income tenants in Unincorporated County. Thank you to Supervisor Mitchell for putting forth the amendments. Keep LA Housed supports the County's adoption of a formula that is based on 60% CPI with a 3% cap. But we continue to be concerned about the ordinance's inclusion of additional increases for small landlords. A low-income tenant should not get a higher increase simply because their landlord is a small landlord. Rather than allow extra increases for small landlords, the County should create programs like mortgage and property maintenance support programs for truly struggling small landlords. Furthermore, landlords routinely hide the scoope of their property portfolio by creating multiple LLCs under different names, such as "123 Central Ave, LLC." There is no way to know, under current State law, who the beneficial owners of those LLCs are. Famous eviction attorney, Dennis Block, has even explained to landlords in a April 27, 2024, YouTube video, how they can hide the true nature of their business by creating multiple LLCs and then claim to be a "small landlord." (Ref. youtube.com/watch?v=tVSUNDvS9LM&t=284s). At least until it's possible to certify that a landlord meets the definition of "small" I would urge the Board not to create confusing carve outs. In addition, when the ordinance is implemented, the self-certification process for small property owners needs to be as thorough as possible. Whether in the ordinance or guidelines, potential small property owners should have to affirmatively indicate they meet each part of the definition of small property owners in the draft ordinance. Thank you!

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			The following individuals submitted comments on agenda item:	
Agenda #	**Relate To**	**Position**	**Name**	**Comments**
35.	65	**Favor**	Shane Henson	Hello my name is Shane Henson, and I am a Public Policy Advocate with Inner City Law Center. Inner City Law Center represents low-income clients who are at risk of homelessness throughout Los Angeles County. I would like to comment on item 35. Inner City Law Center urges the Board to pass the draft ordinance from DCBA amending the rent increase formula in the RSTPO, which will help keep rents affordable for low-income tenants in Unincorporated County. Thank you to Supervisor Mitchell for putting forth the amendments. Inner City Law Center and the Keep LA Housed coalition support the County's adoption of a formula that is based on 60% CPI with a 3% cap. But we continue to be concerned about the ordinance's inclusion of additional increases for small landlords. A low-income tenant should not get a higher increase simply because their landlord is a small landlord. Rather than allow extra increases for small landlords, the County should create programs like mortgage and property maintenance support programs for truly struggling mom and pops. In addition, when the ordinance is implemented, the self-certification process for small property owners needs to be as thorough as possible. Whether in the ordinance or guidelines, potential small property owners should have to affirmatively indicate they meet each part of the definition of small property owners in the draft ordinance. Thank you.
		Oppose	Aaron Marzwell	The county recently released a report examining its rent control formula. The report does not justify such an extreme price control nor adequately economically vet the policy. For years, owners were prohibited from increasing rents at all and ordered to house residents for free during the COVID lockdowns. Insurance costs are soaring, inflation has been running at the highest in 40 years and local governments continue to add on costs.
			Adam Lerer	You are disincentivizing housing investment with this. Please do not support this but rather find ways to increase more supply, not to diminish housing investment.

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			The following individuals submitted comments on agenda item:	
Agenda #	**Relate To**	**Position**	**Name**	**Comments**
35.	65	**Oppose**	Adrian Bejarano	Dear Board of Supervisors, I urge you to oppose item 35 and leave the formula unchanged. The county's commissioned report acknowledges that a 3% cap "creates a higher mismatch between changes in operating costs and rents" and "poses a risk to property owners." This action imposes an extreme price control that will continue negatively impacting the county's housing stock and residents. This will make the housing crisis worse. How are housing providers expected to manage expenses when price controls prevent them from even keeping pace with the Consumer Price Index (CPI)? Operation expenses routinely exceed CPI. The March Rent Stabilization analysis does not justify such stringent measures. Policy must be rooted in sound analysis. This proposal is fundamentally antihousing and will make homes even more expensive and more complicated to find. As a company we are developing hundreds of residential units across Los Angeles and policies like this will make it impossible for us to continue to invest in Los Angeles. Property owners were prohibited from increasing rents for years and were mandated to house residents for free under COVID-19 emergency measures. Meanwhile, insurance and operating costs are soaring, and inflation has run at its highest in 40 years. Yet, the Board of Supervisors continues to penalize those who provide housing in L.A. County while passing unworkable local mandates. The adverse effects of these policies are well documented. This will hurt the economically disadvantaged the most, lead to less housing, and be counterproductive to our shared goals. Housing providers are not the root cause of the housing crisis. Ill-conceived policies like this are. We need financial flexibility to cope with economic realities and continue providing quality housing for residents. We need leadership. Please oppose 35.
			Albert Leung	Dear Board of Supervisors, I am reaching out as a concerned housing provider in Los Angeles County, urging you to reconsider Item 35, which seeks to impose a 3% or 60% CPI cap on rent adjustments. Such restrictive measures do not account for the

financial demands we face and will only worsen the challenges within the County's housing market.

The County's own report has highlighted that such a cap would "create a higher mismatch between changes in operating costs and rents," ultimately putting housing providers at financial risk. Our expenses—such as insurance, maintenance, and other operational costs—have consistently risen above the CPI. When these realities are ignored, property owners are left in an impossible position: shouldering increased costs without the ability to adjust rents accordingly. A policy that so rigidly caps rents will inevitably impact not only housing providers but also the quality and availability of housing for tenants.

Recent analysis, including the March Rent Stabilization report, lacks a clear foundation for implementing such restrictive limits. The proposal dismisses essential factors, like inflation, that have driven the costs of goods and services to their highest levels in decades. It's crucial to base housing policy on a comprehensive understanding of these economic realities rather than simply imposing one-sided controls that harm housing providers and, in the end, renters themselves.

During the COVID-19 pandemic, property owners were obligated to house tenants without rent increases and, in some cases, even without any rent at all. Since then, as costs have surged, housing providers have struggled under a series of policies that limit flexibility to adapt and continue maintaining quality housing. Item 35 continues down this unsustainable path, introducing policies that stifle economic growth and discourage investment in housing.

Evidence shows that strict rent controls, like those proposed, often lead to unintended consequences: diminished housing quality, reduced housing availability, and higher prices for new tenants. Such policies disproportionately impact lower-income residents, the very people they intend to protect, by discouraging the maintenance and development of affordable housing.

The housing crisis we face cannot be solved by policies that hinder those who invest in and manage housing. Instead, a balanced approach that allows property owners to meet their financial obligations while keeping rents reasonable is necessary. I urge the Board to reject Item 35 and seek solutions that consider the needs of both renters and providers. Without such balance, we risk further destabilizing our housing market and driving up the cost of housing for all.

Thank you for your attention to this critical matter.

Sincerely,

Albert Leung

Alessandra Martin	History has shown that rent control, when implemented over time, often

				results in fewer available rental units, leading to a tighter market. This scarcity increases competition for housing, which ironically drives up rent prices in other areas. As a tenant I cannot support this.
			Alexander Resnick	With the extended rent freeze imposed during COVID, and the increase in fees from the city and utilities, and the expectation that properties need to be maintained, further restrictions on landlords is disgraceful. Eventually even more property owners will sell out (or go into foreclosure) and developers will continue to flee California. The net result -- perhaps after the current board members have retired -- will be a loss of housing. You should be doing all that you can to encourage building, not discourage it.
			Alfred M Somekh	Bank Interest is up. Insurance Expenses have Doubled. Payroll Expenses, Utility Costs, Property Taxes, etc., are all up. This ordinance is unfair and will have a substantial negative impact on the property's performance.
			Ali Asvadi	Dear L.A. County Board of Supervisors, Please stop this on-going destruction of the mom and pop rental market by consistently attempting to lower and lower the rent cap. Enough is enough.
			Amanda Fe	The labor and material costs to maintain any property in Los Angeles are extremely high. A rent cap per year will limit the owner's ability to maintain the properties. Consider how much it cost to replace a roof ($15,000 to start in a small size house), replace HAVC system ($10,000), a plumber call ($150/trip fee)? The list goes on. How about the property taxes? and insurance premiums that have doubled/tripled? 3% is not even half of the ongoing inflation rate. Let the market decides the rent levels instead of government imposed rent cap!!!
			Andrew Pourbaba	
			Anna Grigoryan	For years, owners were prohibited from increasing rents at all and ordered to house residents for free during the COVID lockdowns. Insurance costs are soaring, inflation has been running at the highest in 40 years and local governments continue to add on costs. This will make the housing crisis worse, deter investment, and make it even harder to operate. With these ridiculous policies, you are pushing rent providers out of the market. Landlords need to have the option to increase rents to cover their increased costs, including taxes, insurance, and maintenance.
			Ariel Isaacson	Dear Board of Supervisors, I urge you to oppose item 35 and leave the formula unchanged. The county’s commissioned report acknowledges that a 3% cap “creates a higher mismatch between changes in operating costs and rents” and “poses a risk to property owners.” This action imposes an extreme price control that will continue negatively impacting the county’s housing stock and residents. This will make the housing crisis worse. How are housing providers expected to manage expenses when price controls prevent them from even keeping pace with the Consumer Price Index

				(CPI)? Operation expenses routinely exceed CPI. The March Rent Stabilization analysis does not justify such stringent measures. Policy must be rooted in sound analysis. This proposal is fundamentally anti-housing and will make homes even more expensive and more complicated to find. Property owners were prohibited from increasing rents for years and were mandated to house residents for free under COVID-19 emergency measures. Meanwhile, insurance and operating costs are soaring, and inflation has run at its highest in 40 years. Yet, the Board of Supervisors continues to penalize those who provide housing in L.A. County while passing unworkable local mandates. The adverse effects of these policies are well documented. This will hurt the economically disadvantaged the most, lead to less housing, and be counterproductive to our shared goals. Housing providers are not the root cause of the housing crisis. Ill-conceived policies like this are. We need financial flexibility to cope with economic realities and continue providing quality housing for residents. We need leadership. Please oppose 35.
			Ben Abrams	I and friends live in rental apartments. I urge you not to place a cap on rental increases. The properties are already not being taken care of because there's not enough income coming in to pay the landlords bills. If you pass this bill, housing will become uninhabitable, property owners will take their investments elsewhere, insurance costs will continue to increase and investors including lenders (banks, insurance companies, etc. will shy away from investing in our amazing county). I urge you not to pass rent control limiting rental increases....
			Bianca Ryan-Lopez	If housing providers aren't even allowed to keep up with inflation, then they will have no choice but to sell to developers, who will tear all the older affordable rental housing down and build new buildings with far fewer affordable units. Also, it may provoke a lawsuit that could go all the way to the supreme court, and the county would lose, and possibly all rent control would be over-turned.
			Bill Nassour	• Why are landlords taking on the burden when only 50% of the population is not rent-burdened, but their rent increases will also be capped at 0.6%? Will you subsidize ULA to maintain units? • How did you determine the 0.6% cap on CPI? This appears to be one of the most restrictive rent control policies in the world and may significantly reduce housing supply and increase costs over time.
			Blake T Hofmeister	
			Brian Abernathy	Lowering the rent cap will further restrict the availability of rental housing. It does absolutely nothing to increase supply. Please refocus on the permitting

				process and development. Increased supply will solve demand issues. In what world can you reasonably expect a housing provider's expenses to follow inflation? Our expenses far exceed inflation. Our housing stock is aging and requiring major upgrades to electrical and plumbing. Insurance costs have skyrocketed in recent years. I urge you to vote 'no' to any amendement lowering the rent cap for unincorporated LA County.
			Brock Harris	Completely draconian measure not rooted in reality or science. Deregulate construction - rent control doesn't work.
			Carl Albert	Unintended consequences of this attempt to protect Tenants will reduce Supply of housing. This is a bad Amendment. Not good for Tenants. HELP TENANTS BY INCREASING SUPPLY OF RENTAL UNITS.
			Caroline Byers	Limiting rent raises sounds good, but it can discourage property owners from building more rental housing. This means there could be even fewer affordable options for people like me, increasing rents over time.
			Carrie Fernandez	When are you going to figure out that when you impose a cap on the amount you can increase for rent that you cause a shortage of rental properties? People will just invest in rental property in another state. This is not protecting the tenant. It's only going to increase the cost of rent on rental properties. Landlords will be forced to increase rent whether they want to or not or they will get out of their rental property & go elsewhere. It's simple economics (Supply & Demand)!
			Casey Coffey	For years, owners were prohibited from increasing rents at all and ordered to house residents for free during the COVID lockdowns. Insurance costs are soaring, inflation has been running at the highest in 40 years and local governments continue to add on costs. This is a gross over reached of government intervention that will lead to further housing shortage and increased costs for renters.
			Chris Nassour	Many rental property owners are individuals or small businesses. Rent control places a disproportionate burden on them, potentially leading to higher vacancy rates or property abandonment, which can harm communities more than help them.
			Clara Erickson	As a tenant in Los Angeles County, I am writing to urge you to reconsider the proposed rent control cap of 3% or 60% of CPI. I understand the desire to help renters like me, but I am concerned that this policy may actually make things harder for tenants in the long run by discouraging investment in housing and leading to reduced housing quality and availability. Studies consistently show that rent control often leads to tighter markets with reduced quality and fewer available units. This ultimately drives up prices in other areas, creating the opposite effect of what the policy aims to achieve. We should focus on expanding housing supply rather than limiting it.
			Cynthia Oliver	This is absolute ridiculous ! Why are you continuing to make Mom and Pop landlords totally responsible to house folks. Please check with the Insurance Commission, there is a 23% increase in home insurance. Have you been to

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				Home Depot for any materials, there is generally a 35% increase in prices since the pandemic. You voted to use our tax payer $ to provide free legal counsel to folks who don't pay rent facing eviction. Every single year my property taxes go up. Our utilities have gone up Please STOP THE MADNESS. DO WHAT IS FAIR. A 3% CAP IS NOT FAIR!! Do you have any kind of conscience ?
			Daniel Tenenbaum	Everyone has been impacted by high inflation, including housing providers. A 3% cap “creates a higher mismatch between changes in operating costs and rents” and “poses a risk to property owners.” This is not just a study, it is true and new housing production is already at a standstill. We need to encourage housing and its preservation!
			Danielle Elliott	Neither government entities nor private developers will be able to supply housing in Los Angeles County. The destruction of an industry yields no benefits for anyone.
			Danielle Simon	Dear Board of Supervisors, I urge you to oppose item 35 and leave the formula unchanged. The county’s commissioned report acknowledges that a 3% cap “creates a higher mismatch between changes in operating costs and rents” and “poses a risk to property owners.” This action imposes an extreme price control that will continue negatively impacting the county’s housing stock and residents. This will make the housing crisis worse. How are housing providers expected to manage expenses when price controls prevent them from even keeping pace with the Consumer Price Index (CPI)? Operation expenses routinely exceed CPI. The March Rent Stabilization analysis does not justify such stringent measures. Policy must be rooted in sound analysis. This proposal is fundamentally anti-housing and will make homes even more expensive and more complicated to find. Property owners were prohibited from increasing rents for years and were mandated to house residents for free under COVID-19 emergency measures. Meanwhile, insurance and operating costs are soaring, and inflation has run at its highest in 40 years. Yet, the Board of Supervisors continues to penalize those who provide housing in L.A. County while passing unworkable local mandates. The adverse effects of these policies are well documented. This will hurt the economically disadvantaged the most, lead to less housing, and be counterproductive to our shared goals. Housing providers are not the root cause of the housing crisis. Ill-conceived policies like this are. We need financial flexibility to cope with economic

	realities and continue providing quality housing for residents. We need leadership. Please oppose 35.
David H Barakat	
Deborah Lutz	The idea of reducing the max rent increase to just 60% of the change in CPI is unsustainable. With ALL property expenses in creasing plus the fact the local and state government continues to add more costly requirements on property owners such as providing a/c or "cooling" requirements and increased insurance company demands just to name a few. We cannot provide quality housing while meeting the requirements you set forth if our expenses rise at a higher rate than the rents. Increased costs are beyond our control. Your policy decision are not financially sustainable. You are hurting naturally occurraing moderate rate housing. Vote NO.
Denise Overstreet	Opposed-Suggestion is to only cap the property owners renting at or above the fair market rate. HUD published the Fair Market Rates in August. Allow the property owners who are renting below the fair market rate to raise rent up to the full CPI rate. Those of us who are renting below the market are obviously not the problem. Don't punish us who have been fair to our renters and not raised the rent every year. You have the data in the Rent Registry to determine which owners are above the market. Use this information to make fair amendments to this ordinance. There are many of us where our rents are so far below the market that even if we raise our rents every year to the full CPI rate, we still wouldn't reach the fair market rate. In the meantime, corporations are charging $4,000 per month for 1 bedrooms, while we struggle to maintain our properties and pay high property taxes. Be fair. We need to make a living too.
Diana Hu	I am a property manager in LA County. My clients are not big corporations but mom and pop owners. They have all seen their cost of repairs, insurance, all expenses skyrocket in the last few years. How are these mom and pop owners expected to manage expenses when they can't even raise rents to keep pace with the CPI? During COVID, property owners were not able to raise rents, leaving most leases way below market currently. Property owners also lost months to years of rent when renters were living free during COVID. Please stop penalizing owners for providing much needed rental housing in LA County. This form of extreme rent control will not make the housing crisis better; it will only make it worse as owners decide to exit the rental market when capped rents can no longer keep up with rising expenses.
Dinah Pourbaba	
Doddahosahalli V Maregowda	hello I m a small landlord with few rental properties. The rents we are charging not enough to cover the RE Taxes, High-interest rate Mortgages, cost of insurance which are going through the roof, maintenance and so on. And in LA county, we don't get any rental properties less than 200k to 300k down payment. We just put all our savings in rental without any return on our investments. Now if county imposes only 3% increase in rent is disaster in waiting to happen.

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			Dominic Guan	
			Dorian Aftalion	PLEASE NO. I'm sure there are good intentions, but rent control often harms the very renters it aims to protect. By limiting rental income, property owners will be forced to reduce maintenance, and services, leading to deteriorating conditions. I am a renter myself and often come across delays in repair work and building care because the owner simply does not have enough income coming in to get to it. this has been the issue for me in 3+ buildings now. you know what you pay for, thats all. dont take advantage of the system.
			Dove Roth	As you know most young CA are outpriced in the real estate market. That is why I am many young voters find other ways to rent out an ADU or another unit on our properties. However fees to maintain house are going up alot higher than the allowable rent increases already so how are we supposed to be to continue housing ourselves? This makes it more difficult for young people in Los Angeles to afford our own properties.
			Dustin Pourbaba	ear Board of Supervisors, I urge you to oppose item 35 and leave the formula unchanged. This is a continued choke hold on property owners, will stifle development, degrade units, and ruin this City. Los Angeles government has already crippled property owners with endless regulation and insanely unfair rules during and post Covid. This must NOT be passed!
			Dwight Walters	Government should stay out of the private sector for rental owners! Enough is enough soaring prices for repairs and labor to maintain properties leave very little left in profit. Renters tearing up units costing thousands a year to rehab. Renting is self-adjusting itself. To high no one will rent! Rents to low only get bad people that don't care and will cost owners to a point of bankruptcy. Or even rental slums due to no money to fix units the right way causing unhealthy living conditions. There will be even less places to live! It not our fault that people are lazy and uneducated and not willing to better themselves to move up the latter of a success. It is not fair to punish the ones that are hardworking that try to maintain good livable properties, and a safe place to live. I have owned rental units for almost 45 years I have seen good areas that went to rent control and whole neighborhoods are scary places to live now. Cheap does not mean good or safe! It's like buying cheap tools yaw it may seem to be good till you use it for a while and then everything falls apart! Government stay out of our business the majority of us know how to maintain rentals without you getting in our business! It's our business you should not tell us how to do what we do best!
			Elizabeth Carnes	As a responsible landlord in Long Beach I strongly oppose this level of restrictive rent controls. As a landlord I have real financial obligations to continue to provide good, clean, insured habitable spaces and I take those obligations seriously. This punitive cap on rent increases really does punish landlords who want to provide clean and affordable and excellent housing to tenants, and instead will drive me (and us) right out of California. Please do NOT arbitrarily cap rents unless you cap all insurance/utility costs and expenses! NO on 35!

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			Ellie Pourbaba	
			elliot M loboda	
			Eric B Hatch	I urge you to oppose item 35 and leave the formula unchanged. The county's own commissioned report acknowledges that a 3% cap "creates a higher mismatch between changes in operating costs and rents" and "poses a risk to property owners." This action imposes an extreme price control that will continue to negatively impact the county's housing stock and residents. This will make the housing crisis worse. How are housing providers expected to manage expenses when price controls prevent them from even keeping pace with the Consumer Price Index (CPI)? Operation expenses routinely exceed CPI. The March Rent Stabilization analysis does not justify such stringent measures. Policy must be rooted in sound analysis. This proposal is fundamentally anti-housing and will make homes even more expensive and harder to find. For years, property owners were prohibited from increasing rents and were mandated to house residents for free under COVID-19 emergency measures. Meanwhile, insurance and costs to operate are soaring, and inflation has been running at its highest in 40 years. Yet, the Board of Supervisors continues to penalize those who provide housing in L.A. County while passing unworkable local mandates. The negative effects of these policies are well documented. This will hurt the economically disadvantaged the most, lead to less housing and be counterproductive to our shared goals. Housing providers are not the root cause of the housing crisis. Ill-conceived policies like this are. We need financial flexibility to cope with economic realities and continue providing quality housing for residents. We need leadership. Please oppose 35.
			Eric B Hatch	I urge you to oppose item 35 and leave the formula unchanged. The county's own commissioned report acknowledges that a 3% cap "creates a higher mismatch between changes in operating costs and rents" and "poses a risk to property owners." This action imposes an extreme price control that will continue to negatively impact the county's housing stock and residents. This will make the housing crisis worse. How are housing providers expected to manage expenses when price controls prevent them from even keeping pace with the Consumer Price Index (CPI)? Operation expenses routinely exceed CPI. The March Rent Stabilization analysis does not justify such stringent measures. Policy must be rooted in sound analysis. This proposal is fundamentally anti-housing and will make homes even more expensive and harder to find. For years, property owners were prohibited from increasing rents and were mandated to house residents for free under COVID-19 emergency measures.

				Meanwhile, insurance and costs to operate are soaring, and inflation has been running at its highest in 40 years. Yet, the Board of Supervisors continues to penalize those who provide housing in L.A. County while passing unworkable local mandates. The negative effects of these policies are well documented. This will hurt the economically disadvantaged the most, lead to less housing and be counterproductive to our shared goals. Housing providers are not the root cause of the housing crisis. Ill-conceived policies like this are. We need financial flexibility to cope with economic realities and continue providing quality housing for residents. We need leadership. Please oppose 35.
			Erick Penarrieta	To the Board of Supervisors- I oppose Agenda Item #35. As in all businesses,cost are rising dramatically. And in my business the costs of maintaining suitable housing for renter's in our county seems to raising even faster. Insurance alone went up 30%! not to mention everything else. Please understand that limiting current allowable rent increases even further will decrease the supply of rentals and thereby increase rent prices. A much better solution would be to facilitate the creation of more housing rather than to try to control it. Please oppose Agenda Item #35. Concerned Citizen, E.P. LA County Resident
			Erick Penarrieta	To the Board of Supervisors- I oppose Agenda Item #35. As in all businesses,cost are rising dramatically. And in my business the costs of maintaining suitable housing for renter's in our county seems to raising even faster. Insurance alone went up 30%! not to mention everything else. Please understand that limiting current allowable rent increases even further will decrease the supply of rentals and thereby increase rent prices. A much better solution would be to facilitate the creation of more housing rather than

				to try to control it. Please oppose Agenda Item #35. Concerned Citizen, Erick Penarrieta LA County Residen
			Eugenia Ortega Guzman	As a landlord, capping rent increases to 3% makes it very difficult to maintain the property in good condition. When things are brought to my attention, I immediately attend to them (whether it's an essential repair or more a cosmetic repair) due to an established reserve that I am able to maintain from the rents received. With a 3% cap, I will not be able to maintain the reserve to the same level. My property will deteriorate faster than I am able to manage it. Ultimately, my tenants will suffer from this cap. Los Angeles has generally maintained an 8% rent cap. I have never raised rents to that level. I have always used a 5% cap. This allows me to keep the reserve to addressed immediately any concerns brought to my attention. These kinds of restrictions are taking your mom & pop rental owners out of business. I have been citizen of Los Angeles since birth. I have own property and have paid property taxes to Los Angeles since 1986. These are the kinds of legislation that is driving people out of California. Please hear us!
			Farrah Weinstein	You are on the wrong track of limiting rent increase to 60% of CPI annually when cost of operations grow much more than CPI.
			Federico Samson	Dear Board of Supervisors, I urge you to oppose item 35 and leave the formula unchanged. The county's commissioned report acknowledges that a 3% cap “creates a higher mismatch between changes in operating costs and rents” and “poses a risk to property owners.” This action imposes an extreme price control that will continue negatively impacting the county's housing stock and residents. This will make the housing crisis worse. How are housing providers expected to manage expenses when price controls prevent them from even keeping pace with the Consumer Price Index (CPI)? Operation expenses routinely exceed CPI. The March Rent Stabilization analysis does not justify such stringent measures. Policy must be rooted in sound analysis. This proposal is fundamentally anti-housing and will make homes even more expensive and more complicated to find. Property owners were prohibited from increasing rents for years and were

				mandated to house residents for free under COVID-19 emergency measures. Meanwhile, insurance and operating costs are soaring, and inflation has run at its highest in 40 years. Yet, the Board of Supervisors continues to penalize those who provide housing in L.A. County while passing unworkable local mandates. The adverse effects of these policies are well documented. This will hurt the economically disadvantaged the most, lead to less housing, and be counterproductive to our shared goals. Housing providers are not the root cause of the housing crisis. Ill-conceived policies like this are. We need financial flexibility to cope with economic realities and continue providing quality housing for residents. We need leadership. Please oppose 35.
			Fred Sutton	
			Genise Homan	I reject this extreme price control. All housing provider costs are soaring when we are coming out of a pandemic where many providers didn't even receive their rent! This will make the housing crisis worse . Your own report does not justify this measure. Stop your assault on housing providers....it's just been one measure after another against people trying to provide a service. It's a business and has to make some economic sense. This is my retirement income, please don't cripple me and many other retirees and small business owners more. Please do not approve this extreme measure!!!!
			Gerald A Tomsic	Our insurance just went from $6,500 last year to $23,000. Our trash expense went way up. We will be unable to operate on a minimal rent increase. Property is at 4447 Oceanview Blvd, Montrose 91020
			Geza Tokes	We are small mom and pops generational historic apartment owners in Echo Park/SilverLake. The rent freeze was putting us out of business! Increased insurance, LADWP water bills, maintenance, repairs, along with inspections by the LA Housing Department makes is very costly to keep our buildings safe, clean, and up to code. Please let us raise the rents to keep maintenance projects, gardening services, pest control services, alive and going. Lot's of jobs depend on us.
			James OConnor	Costs are rising too much to limit increases this much. AB 1482 has an appropriate limit already based on inflation and it keeps increases low. Janice Hahn, your support of this item will lose you my vote.
			Jason Hofffman	Dear Board of Supervisors, I urge you to oppose item 35 and leave the formula unchanged. The county's

				commissioned report acknowledges that a 3% cap "creates a higher mismatch between changes in operating costs and rents" and "poses a risk to property owners." This action imposes an extreme price control that will continue negatively impacting the county's housing stock and residents. This will make the housing crisis worse. How are housing providers expected to manage expenses when price controls prevent them from even keeping pace with the Consumer Price Index (CPI)? Operation expenses routinely exceed CPI. The March Rent Stabilization analysis does not justify such stringent measures. Policy must be rooted in sound analysis. This proposal is fundamentally anti-housing and will make homes even more expensive and more complicated to find. Property owners were prohibited from increasing rents for years and were mandated to house residents for free under COVID-19 emergency measures. Meanwhile, insurance and operating costs are soaring, and inflation has run at its highest in 40 years. Yet, the Board of Supervisors continues to penalize those who provide housing in L.A. County while passing unworkable local mandates. The adverse effects of these policies are well documented. This will hurt the economically disadvantaged the most, lead to less housing, and be counterproductive to our shared goals. Housing providers are not the root cause of the housing crisis. Ill-conceived policies like this are. We need financial flexibility to cope with economic realities and continue providing quality housing for residents. We need leadership. Please oppose 35.
			Joe Fernandez	Dear Board of Supervisors, I urge you to oppose item 35 and leave the formula unchanged. The county's own commissioned report acknowledges that a 3% cap "creates a higher mismatch between changes in operating costs and rents" and "poses a risk to property owners." This action imposes an extreme price control that will continue to negatively impact the county's housing stock and residents. This will make the housing crisis worse. How are housing providers expected to manage expenses when price controls prevent them from even keeping pace with the Consumer Price Index (CPI)? Operation expenses routinely exceed CPI. The March Rent Stabilization analysis does not justify such stringent measures. Policy must be rooted in sound analysis. This proposal is fundamentally anti-housing and will make homes even more expensive and harder to find. For years, property owners were prohibited from increasing rents and were mandated to house residents for free under COVID-19 emergency measures. Meanwhile, insurance and costs to operate are soaring, and inflation has been running at its highest in 40 years. Yet, the Board of Supervisors continues to penalize those who provide housing in L.A. County while passing unworkable local mandates. The negative effects of these policies are well documented. This will hurt the

				economically disadvantaged the most, lead to less housing and be counterproductive to our shared goals. Housing providers are not the root cause of the housing crisis. Ill-conceived policies like this are. We need financial flexibility to cope with economic realities and continue providing quality housing for residents. We need leadership. Please oppose 35.
			John Janavs	It is unjustifiable to cap rental increases to a fraction of CPI or even 3%. Our insurance premiums alone have skyrocketed. I paid $8,810 in March 2024, was cancelled due to "unacceptable" breaker panels that have never had a problem, and just today I received a quote for $18,809.12. For a 4 unit building. Where does the money to pay for that come from. I provide good affordable housing, but I cannot subsidize it for people. None of you understand the costs of maintaining and providing housing. There should be no restrictions on rent increases. Let people manage their properties. You don't tell gas stations or grocery stores what to charge.
			Jordan Asheghian	Dear Board of Supervisors, I urge you to oppose item 35 and leave the formula unchanged. The county's commissioned report acknowledges that a 3% cap "creates a higher mismatch between changes in operating costs and rents" and "poses a risk to property owners." This action imposes an extreme price control that will continue negatively impacting the county's housing stock and residents. This will make the housing crisis worse.
			Judith Elizabeth	DEAR L.A COUNTY BOARD OF SUPERVISORS, My family and I strongly oppose AGENDA ITEM #35 from today's meeting and urge you to NOT pass a 3% rent increase cap in L.A> County! We made sacrifices to become housing providers and are ethical and responsible housing providers who take pride in serving low income tenants within our community. Some of the organizations we have partnerships with include local Housing Authorities in L.A. County (LACDA, HACLB, and Norwalk Housing Authority), non-profit organizations such as P.A.T.H., The Salvation Army, Brilliant Corners, The Whole Child, Rapid Rehousing, and many more. Please recall that the entire state of California has rent control as of January 2020 and offers sufficient protection to renters, especially with AB 1482. The current state and local rent control is the reason why "the rents are so dang high". Decreasing allowable rent increases will catalyze higher rent prices and decrease the supply of rentals even further. Please consider a free - market approach where developers can build more housing and this will only benefit everyone, especially renters looking for a place to call "home".

				As a reminder, multi-family housing insurance has increased up to 3 x's more than last year, property taxes, business licenses, and city services (gas, electricity, water, and refuse/trash) continue to increase at an alarming rate and for utilities, up to 22% more. Why don't you focus on an increase of tax breaks or city services instead so landlords can have capital to build more affordable housing? Please DO NOT take away our property rights or limit the amount of money that my family's business is allowed to earn. With all due respect, how would you, the LA County Board of Supervisors, feel if we limit your annual salary to only $30,000.00 and significantly decrease your big pension plan?! Available public data states that the L.A. County Board of Supervisors are paid in the range of about $230,000.00 a year or more. laist.com/news/politics/2022-election-california-general-los-angeles-county-supervisors . You would not be helping renters by increasing regulations. Please ask yourself the question: Do I want to create more housing or control more housing? Respectfully, J.E.
			Julian O Munoz	This is absolute insanity to put a rent cap of 3%, we already have rent stabilization on the books that keeps rental increases to a moderate level. This ordinance will drive the small mom & pop real estate investors out of the market. Most mom & pop owners don't raise the rent and have encountered many that never raise the rents to their own detriment out of the concern over their tenants. How can an owner continue to make money has no adjustment for inflation? The true remedy is to make our communities more business friendly, so we have job creation and a thriving economy. It appears that ever since the statewide rent control ordinance that passed has created

				momentum for other legislation to continue to attempt erode property owner rights to make any profit. This needs to stop and let things settle down in my opinion, we are already seeing a drop in rents due to a lack of jobs. Focus on job creation and stop putting it on the backs of property owners to make up the difference. Also, you need to streamline the process to develop housing instead of creating encumbrances. Over legislation is killing the golden goose, you will be finishing it off at the rate you are going.
			Justin Ruder Ruder	This will dissuade investment in our communities and in existing buildings that need upgrades to make them habitable. We all agree affordability is a vital issue but the only way to fix this is to create a business friendly environment and BUILD BUILD BUILD. LA City Council when will you learn. We want the same thing!!!! IF you've never built or invested in the City of LA how can you make correct judgement on what it takes to create an affordable environment. The City and County of LA must NOT pass additional control ordinances.
			Kamlesh Italia	
			Karen Lyons	California already has rent control in place. We do not need any further penalizing of property owners to limit this to 3%. As property owners, we face many challenges, maintaining and managing property from inflation in utilities, property, taxes, and now doubling and tripling insurance policies. it hurts communities, housing, property owners, and tenants to cap this at such an unreasonable rate. Additionally, this is another targeted attack on property owners. What other industry does the government step in and tell them what they can and can't do with their price setting. We are small property owners, and we cannot afford to maintain these properties in good condition if the government continues To hinder our efforts. We oppose any additional control.
			Kathleen M Kukulka-Stone	
			KATHRYN COFFEY	Dear Board of Supervisors, I urge you to oppose item 35 and leave the formula unchanged. The county's own commissioned report acknowledges that a 3% cap "creates a higher mismatch between changes in operating costs and rents" and "poses a risk to property owners." This action imposes an extreme price control that will continue to negatively impact the county's housing stock and residents. This will make the housing crisis worse. With the rising costs of insurance in california, homeownwers are already struggling to pay increased costs. limiting the increase will not allow landlords to increase the necessary rent to cover the increased cost of insurance alone. this will cause landlords to sell, leaving LA county and limiting the amount of rentals available. with the instability of the current purchase market, LA county residents are already struggling to purchase a home. limiting the amount of investments, will increase homelessness for already struggling angelinos.

				The negative effects of these policies are well documented. This will hurt the economically disadvantaged the most, lead to less housing and be counterproductive to our shared goals. Housing providers are not the root cause of the housing crisis. Ill-conceived policies like this are. We need financial flexibility to cope with economic realities and continue providing quality housing for residents. We need leadership. Please oppose 35.
			Kathryn M Wallace	As a real estate owner and broker with over 25 years of experience in Los Angeles County and Greater California, I am deeply concerned about the proposed rent control cap limiting rent increases to the lower of 3% or 60% of CPI. Over my career, I have worked alongside property owners, renters, and developers, all of whom share a common desire for stable, quality housing. While I understand the Board's intent to provide relief to renters, this policy risks creating more harm than good for the community.
			Kelly Nassour	
			Kia Torkan	Dear Board of Supervisors, I urge you to oppose item 35 and leave the formula unchanged. The county's commissioned report acknowledges that a 3% cap "creates a higher mismatch between changes in operating costs and rents" and "poses a risk to property owners." This action imposes an extreme price control that will continue negatively impacting the county's housing stock and residents. This will make the housing crisis worse. How are housing providers expected to manage expenses when price controls prevent them from even keeping pace with the Consumer Price Index (CPI)? Operation expenses routinely exceed CPI. The March Rent Stabilization analysis does not justify such stringent measures. Policy must be rooted in sound analysis. This proposal is fundamentally anti-housing and will make homes even more expensive and more complicated to find. Property owners were prohibited from increasing rents for years and were mandated to house residents for free under COVID-19 emergency measures. Meanwhile, insurance and operating costs are soaring, and inflation has run at its highest in 40 years. Yet, the Board of Supervisors continues to penalize those who provide housing in L.A. County while passing unworkable local mandates. The adverse effects of these policies are well documented. This will hurt the economically disadvantaged the most, lead to less housing, and be counterproductive to our shared goals. Housing providers are not the root cause of the housing crisis. Ill-conceived policies like this are. We need financial flexibility to cope with economic realities and continue providing quality housing for residents. We need leadership. Please oppose 35.

PUBLIC REQUEST TO ADDRESS
THE BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES, CALIFORNIA

Correspondence Received

			Kyle Burman	Dear Board of Supervisors, I urge you to oppose item 35 and leave the formula unchanged. The county's own commissioned report acknowledges that a 3% cap "creates a higher mismatch between changes in operating costs and rents" and "poses a risk to property owners." This action imposes an extreme price control that will continue to negatively impact the county's housing stock and residents. This will make the housing crisis worse. How are housing providers expected to manage expenses when price controls prevent them from even keeping pace with the Consumer Price Index (CPI)? Operation expenses routinely exceed CPI. The March Rent Stabilization analysis does not justify such stringent measures. Policy must be rooted in sound analysis. This proposal is fundamentally anti-housing and will make homes even more expensive and harder to find. I purchased a duplex property as I could not afford a single family home in Los Angeles. For years, property owners were prohibited from increasing rents and were mandated to house residents for free under COVID-19 emergency measures. Meanwhile, insurance and costs to operate are soaring, and inflation has been running at its highest in 40 years. Yet, the Board of Supervisors continues to penalize those who provide housing in L.A. County while passing unworkable local mandates. These stacking conditions put pressure on mom and pop landlords like me to sell to developers. Developers that can afford to demo rent stabilized homes and build non-rent control homes. I don't want to have to leave LA, but the govt caused rise in housing costs may force me to. The negative effects of these policies are well documented. This will hurt the economically disadvantaged the most, lead to less housing and be counterproductive to our shared goals. Housing providers are not the root cause of the housing crisis. Ill-conceived policies like this are. We need financial flexibility to cope with economic realities and continue providing quality housing for residents. We need leadership. Please oppose 35.
			Landy Eng	Mortgage rates are up. Water bills are up. Taxes are up! Cannot survive as a one building owner if rents are capped.
			Laura C Hamilton	Renters are not the only ones suffering from inflation. Property owners are facing massive fire insurance bills, ever-increasing utility bills, increases to the cost of labor and materials. Capping rent increases at 3% is not reasonable when all of our costs are going up, especially since we were not able to increase rent during the COVID era.
			Lawrence Post	Rent caps at 3% or 60% of CPI. You are going down a rabbit hole and nothing good will happen. Who would want to build in a city that dictates

	rents at well below the CPI? So builders/developers will go elsewhere and you will CREATE A HOUSING SHORTAGE!!
Lisa V Gargano	As the owner of a rental property, I'm 100% opposed to the 3% rent control. This is my retirement investment and I rely on it 100%. The 3% increase will not keep up with inflation, not to mention all the many services it takes to keep my rental property afloat. Water, Gardeners, Plumbers etc... are becoming increasing expensive. Rent control will force me to either sell, or to do the least amount of maintenance possible. Entire neighborhoods will forsake pride in ownership just to maintain. I will have to forfeit my gardener, painting, turn off the sprinkler system etc. Please consider all the sacrifices needed to become a landlord.
Lyndsey Kier	As a family who owns a multi-unit property where we also reside, we need to be able to keep up with ever rising costs through the rent to offset our mortgage. If the costs inflate faster than we can increase rent we will not be able to maintain ownership of our property. We will lose our own housing and the tenants who we house, which include low income and section 8 tenants, will be at risk of losing their housing. When the cost of home ownership outpaces the allowed rental increases small families lose and large companies buy these properties. In the end the renters also lose. I was so blessed to finally be able to become a property owner and all of the strict rental controls and laws are quickly making my dream become a nightmare. Please stop the restrictions on small property owners. Rent increase needs to match inflation. Period.
Lynette J Yee	
Marco G Ventura	Please vote no. This amendment goes too far. Extreme rent control will not solve homelessness. It simply punishes those who provide housing into financial hardships, scaring away new investment in future housing.
Margaret A Vita	Capping rent increases at 3% will imposes a significant hardship on small property owners/landlords who rely on the rental income as part of their household income. The 3% cap doesn't keep pace with the increase in the cost of living, utility rates, insurance, and property taxes. Implementing a 3% cap on rental increases will force landlords to establish much higher base rents to begin with therefore eliminating lower income renters from the application pool. Landlords/property owners deserve consideration and protection as much as renters do.
Mark Weinstein	
Melanie K Nutting	• I understand your goal to reduce the rent burden for residents, but extensive research and the consensus among economists show that strict rent control often has the opposite effect. By limiting rent increases, property owners will struggle to cover maintenance costs, leading to a decline in the quality of existing housing. Additionally, fewer developers will be willing to invest in new housing projects, which will shrink the housing supply over time. With fewer rental options available, competition for units will increase, ultimately driving rents up and making it harder for renters to find affordable homes.

PUBLIC REQUEST TO ADDRESS
THE BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES, CALIFORNIA

Correspondence Received

			Michael Arata	
			Michael Ernstoff	please oppose and further constraints on rents .
			Michelle Bekey	This is a poorly thought-out proposal that assumes all landlords are rich and evil, and all tenants are burdened and virtuous. Landlords already face insurance rates that have doubled, tripled or quadrupled this year, and that likely will only get worse; the hangover of COVID rent-increase prohibitions that made maintenance and improvements prohibitively costly; and tenants who have taken advantage of strong protections without fear of eviction. This proposal will drive out smaller landlords who can no longer afford to maintain -- much less improve -- properties and who have personal relationships with tenants. It will invite huge corporate landlords and private equity firms that act only to maximize profits to vacuum up the buildings that smaller landlords can no longer afford. The Board need only look to other Western states to see how toxic private equity ownership quickly becomes for tenants, cities and counties. Nor can the situation be reversed even if the Board changes its mind in the next few years. Smaller landlords will be out of the market for good after the proverbial camel's-back-breaking straw. This proposal will supercharge a 2-tier system between have- and have-not renters Countywide, and between expensive new buildings that are less costly to maintain and older ones that serve the middle market, but will slide into decay. That will be true even within individual properties. I oversee a 55-year-old, 60-unit building in which maintenance is continuous and costly. If we can't raise rents enough to cover our costs - and under this proposal, we can't possibly - we'll be unable to perform the maintenance, repairs & upgrades that enable us to offer a clean, safe, attractive environment to mid-market tenants. There is no financial cushion left. Not surprisingly, numerous well-respected academic studies have shown that rent control *invariably* causes housing stock to deteriorate and supply to shrink -- precisely the opposite of what the Board seeks to achieve. L.A. County has been an island of sanity in the rent-control maelstrom. Just because an idea is trending doesn’t make it valid. In fact, it may represent lemmings heading over a cliff. AS THE REPORT BY HIGHLY REGARDED BEACON ECONOMICS MAKES CLEAR, THERE ARE FAR MORE TARGETED ALTERNATIVES THAT WILL HELP BURDENED TENANTS AND PREVENT HOUSING SHORTAGES FROM DRASTICALLY WORSENING. FOR THE SAKE OF RENTERS COUNTYWIDE, WE ASK THAT YOU TAKE AN INFORMED, WISE AND PRINCIPLED STAND AGAINST THIS DISASTROUS PROPOSAL.
			Mike Goodwin	My wife and I are apartment owners, we expected our apartments to fund our

PUBLIC REQUEST TO ADDRESS
THE BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES, CALIFORNIA

Correspondence Received

				retirement. The constant attack on apartment owners, and reducing the rents we are allowed to collect is making it increasingly difficult to survive on our rental income. It is not right for us as private citizens to be expected to shoulder this burden. Thank you, Mike and Brenda Goodwin
			Mike Swarovski	I urge you to oppose item 35 and keep the formula unchanged. A 3% cap will worsen the county's housing crisis by creating a greater mismatch between rents and rising operational costs, making it harder to provide affordable housing. Housing providers need flexibility to manage skyrocketing expenses, and restrictive measures like these only drive up costs and reduce housing supply.
			NEFTALI PENARRIETA	TO THE BOARD OF L.A. COUNTY SUPERVISORS: MY FAMILY AND I STRONGLY OPPOSE Agenda Item #35. ALL BUSINESS COSTS OF MAINTAINING AND OWNING MULTI-FAMILY IN L.A. COUNTY CONTINUE TO RISE DRAMATICALLY. PROPERTY INSURANCE HAVE INCREASED THREE TIMES MORE COMPARED TO LAST YEAR. ALL CITY SERVICES SUCH AS UTILITIES HAVE ALSO SIGNIFICANLTY RISEN. A RENT INCREASE OF 3 % WOULD ONLY CONTINUE TO DECREASE THE SUPPLY OF RENTALS AND INCREASE RENT PRICES. IT'S A BASIC ECONOMICS PRINCIPLE OF SUPPLY AND DEMAND. PLEASE UNDERSTAND THIS. WE ALL WANT TO FACILITATE THE CREATION OF MORE HOUSING RATHER THAN TRY TO CONTROL WE URGE YOU TO PLEASE OPPOSE AGENDA ITEM #3. CONCERNED CONSTITUENTS, N. P. LA County Resident
			Oliver Pourbaba	
			Peter Larsen	Please, do the math. You will be eviscerating owners with this proposal. If you can promise to cap expenses at the same amount as rent increases we can discuss, but if not you're going to force owners to go out of business. Is that really what you want?
			Phaedra M Polychronis	

PUBLIC REQUEST TO ADDRESS
THE BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES, CALIFORNIA

Correspondence Received

					Make no mistake: this legislation will strangle small housing providers. I would like to know what the plan is for when: 1- small housing providers (and this includes ANYONE who depends on income from the building to maintain it, including owners who have MORE than 10 units in many cases) cease to exist because they will no longer be able to afford their mortgage payments or basic maintenance; and 2- what school districts will do when their tax revenues get cut in half because property values have plummetted. Do you have a plan?
				Rob Bellamy	You cannot implement such strict rent control and expect property owners to be able to maintain the properties to the same extent they do currently. Buildings will become deteriorated. Rent control can be fair, matching CPI. 60% of CPI is craziness and will cause major problems and will hinder the living experience of renters.
				Robert Lance	It is basic arithmetic. If you control the income too much you won't be able to pay your expenses. Right now the rent control laws are fair. Any more reduction in income would make it difficult to maintain properties without controls on the expenses which there are none. Pleas realize not all tenants receive rent increase annually only the ones that are way below market. Thanks you
				Robert Montano	
				Sandy Nassour	• Why are higher-income owners not required to pay fair market rent? • The state's rent control law allows increases up to 5% plus CPI. How did you decide on the 0.6% CPI cap? • Californians have voted
				Sasha Struthers	This motion shows a favoritism of one set of constituents (tenants) in sacrifice of another set of constituents (housing providers). AB 1482 was a negotiated effort that balanced the interests of landlords and tenants. LA County’s rent increase formula as is is more restrictive than what the state permits. To further reduce the allowable rent increases would result in further financial hardship for landlords who are providing needed housing in the County. The rent increases are nominal but make a huge difference in landlords’ abilities to continue to provide habitable premises to tenants, especially in the face of increased operating costs from the insurance crisis in California that has seen premiums 2x-4x year over year as insurers leave the state. Utilities rates are increasing, including tenants’ usage of utilities for many jobs that remain stay at home. Labor and materials to perform required repairs are rising along side inflation. Lastly, this formula would drastically impact minority property owners who are Black and Hispanic, which historically faced major barriers of entry to becoming property owners and then as landlords are being squeezed by the increased in landlord- tenant regulations. It is seeing many of those property owners selling their properties and thus preventing them from creating and maintaining generational wealth. Please reframe the issue not as rent increases for profit and more as a reasonable return so that property owners can continue to landlord. These rent increases are tenants’ investment into their own habitable dwellings.

PUBLIC REQUEST TO ADDRESS THE BOARD OF SUPERVISORS COUNTY OF LOS ANGELES, CALIFORNIA

Correspondence Received

Saxon Nowotka	I am strongly against capping rent increases in unincorporated LA county. By doing this, on top of the already in place rent increase caps per State law, investment in apartment development will continue to languish and rental rates will continue to rise. What we need is more housing being built, not regulations on what is currently built. Please vote against.
Scarlett J Tames	I oppose any form of rent control or rent cap. There should be no limit on rent increases.
Scott J Doucette	Dear Board of Supervisors, I urge you to oppose item 35 and leave the formula unchanged. The county's own commissioned report acknowledges that a 3% cap "creates a higher mismatch between changes in operating costs and rents" and "poses a risk to property owners." This action imposes an extreme price control that will continue to negatively impact the county's housing stock and residents. This will make the housing crisis worse. How are housing providers expected to manage expenses when price controls prevent them from even keeping pace with the Consumer Price Index (CPI)? Operation expenses routinely exceed CPI. The March Rent Stabilization analysis does not justify such stringent measures. Policy must be rooted in sound analysis. This proposal is fundamentally anti-housing and will make homes even more expensive and harder to find. For years, property owners were prohibited from increasing rents and were mandated to house residents for free under COVID-19 emergency measures. Meanwhile, insurance and costs to operate are soaring, and inflation has been running at its highest in 40 years. Yet, the Board of Supervisors continues to penalize those who provide housing in L.A. County while passing unworkable local mandates. The negative effects of these policies are well documented. This will hurt the economically disadvantaged the most, lead to less housing and be counterproductive to our shared goals. Housing providers are not the root cause of the housing crisis. Ill-conceived policies like this are. We need financial flexibility to cope with economic realities and continue providing quality housing for residents. We need leadership. Please oppose 35.
Shawn Shayan	
Shimon Roth	Dear Board of Supervisors, I urge you to oppose item 35 and leave the formula unchanged. The county's

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			Simon Bacola	Dear Board of Supervisors, I urge you to oppose item 35 and leave the formula unchanged. The county’s own commissioned report acknowledges that a 3% cap “creates a higher mismatch between changes in operating costs and rents” and “poses a risk to property owners.” This action imposes an extreme price control that will continue to negatively impact the county’s housing stock and residents. This will make the housing crisis worse. How are housing providers expected to manage expenses when price controls prevent them from even keeping pace with the Consumer Price Index (CPI)? Operation expenses routinely exceed CPI. The March Rent Stabilization analysis does not justify such stringent measures. Policy must be rooted in sound analysis. This proposal is fundamentally anti-housing and will make homes even more expensive and harder to find.

				For years, property owners were prohibited from increasing rents and were mandated to house residents for free under COVID-19 emergency measures. Meanwhile, insurance and costs to operate are soaring, and inflation has been running at its highest in 40 years. Yet, the Board of Supervisors continues to penalize those who provide housing in L.A. County while passing unworkable local mandates. The negative effects of these policies are well documented. This will hurt the economically disadvantaged the most, lead to less housing and be counterproductive to our shared goals. Housing providers are not the root cause of the housing crisis. Ill-conceived policies like this are. We need financial flexibility to cope with economic realities and continue providing quality housing for residents. We need leadership. Please oppose 35. Respectfully, Mr. & Mrs. Simon Bacola Los Angeles, CA. 90048
			Sol VAYSTUB	
			Stephen Novarro	Price controls lead to shortages. That's one of the reasons why we have a housing crisis now. Please vote NO on this issue and allow the free market to properly work.
			Stephen R Goodman	Borrowing costs, insurance, labor costs, materials costs and all other costs have far exceeded the city's allowable rent increases, especially considering NONE were allowed for years. I sympathize with anyone who is challenged to pay rent but it is not fair or right to simply make their problems my problem. This is not Communist Russia, China or Venezuela. I appreciate your big hearts and I understand you may also be trying to cater to the bigger voting public, but I now have no cash flow from my many years of hard work and saving SINGULARLY because you aren't allowing meaningful rent increases. Tenants can move to cheaper areas, get smaller units, live in lower quality buildings, take roommates, or work a second job. I cannot move my building or lower any of the above costs. That is simply beyond my control. The ONLY thing I can do is increase rents to cover the immense increase in costs that I continue to experience. You may think you are doing the right thing by capping rent increases but it only acts to reduce new construction. All your "fixes" are a slippery slope to a communist end of economic decay. Let the markets be free and all will naturally take care of itself. There is no example of market interference that has ever worked positively over the long run. Thank you for your intelligent consideration.
			Steve Fried	Dear Board of Supervisors, I urge you to oppose item 35 and leave the formula unchanged. The county’s commissioned report acknowledges that a 3% cap “creates a higher

				mismatch between changes in operating costs and rents" and "poses a risk to property owners." This action imposes an extreme price control that will continue negatively impacting the county's housing stock and residents. This will make the housing crisis worse. How are housing providers expected to manage expenses when price controls prevent them from even keeping pace with the Consumer Price Index (CPI)? Operation expenses routinely exceed CPI. The March Rent Stabilization analysis does not justify such stringent measures. Policy must be rooted in sound analysis. This proposal is fundamentally anti-housing and will make homes even more expensive and more complicated to find. Property owners were prohibited from increasing rents for years and were mandated to house residents for free under COVID-19 emergency measures. Meanwhile, insurance and operating costs are soaring, and inflation has run at its highest in 40 years. Yet, the Board of Supervisors continues to penalize those who provide housing in L.A. County while passing unworkable local mandates. The adverse effects of these policies are well documented. This will hurt the economically disadvantaged the most, lead to less housing, and be counterproductive to our shared goals. Housing providers are not the root cause of the housing crisis. Ill-conceived policies like this are. We need financial flexibility to cope with economic realities and continue providing quality housing for residents. We need leadership. Please oppose 35.
			Steve Jones	This will make the housing crisis worse.
			Steven Sincoff	I am a property owner in Los Angeles County. I am calling to express my opposition to the proposed 3% cap on rent increases. This extreme measure fails to consider the rising costs of property management, including insurance, taxes, and maintenance. After years of restrictions and zero rent increases during the COVID lockdowns, this policy will place an unreasonable burden on property owners who are simply trying to keep up with inflation and rising expenses. Limiting rent increases to 3% or 60% of CPI is not sustainable in the current economic environment and will only deter investment in our communities. I urge the Board to consider the long-term effects this will have on housing availability and reject this policy.
			Susan Schaefer	This extreme measure fails to consider the rising costs of property management, including insurance, taxes, and maintenance. After years of restrictions and zero rent increases during the COVID lockdowns, this policy will place an unreasonable burden on property owners who are simply trying to keep up with inflation and rising expenses. Limiting rent increases to 3% or 60% of CPI will lead to the unintended consequence of stopping investment in new housing or improvement of older housing, and will deter investment in our communities. There should be tax incentives for landlords, not more restrictions.
			Thomas Woolsey	
				This proposal disregards the financial pressures property owners are facing

			Tzvi Haber	due to rising insurance premiums, inflation, and increased property taxes. Limiting our ability to adjust rents in line with these realities will make it economically unfeasible for many of us to maintain properties, which could ultimately lead to more issues for tenants in the long run. I urge the Board to reconsider this approach and work with property owners on fairer, more sustainable policies.
			William E Nassour	Californians have voted against expanding rent control multiple times, with Prop 33 being overwhelmingly rejected. Why are you not listening to the voters who want a focus on reducing crime and homelessness rather than implementing rent controls?
			Xiaodong Ding	Dear Board of Supervisors, I urge you to oppose item 35 and leave the formula unchanged. The county's own commissioned report acknowledges that a 3% cap "creates a higher mismatch between changes in operating costs and rents" and "poses a risk to property owners." This action imposes an extreme price control that will continue to negatively impact the county's housing stock and residents. This will make the housing crisis worse. How are housing providers expected to manage expenses when price controls prevent them from even keeping pace with the Consumer Price Index (CPI)? Operation expenses routinely exceed CPI. The March Rent Stabilization analysis does not justify such stringent measures. Policy must be rooted in sound analysis. This proposal is fundamentally anti-housing and will make homes even more expensive and harder to find. For years, property owners were prohibited from increasing rents and were mandated to house residents for free under COVID-19 emergency measures. Meanwhile, insurance and costs to operate are soaring, and inflation has been running at its highest in 40 years. Yet, the Board of Supervisors continues to penalize those who provide housing in L.A. County while passing unworkable local mandates. The negative effects of these policies are well documented. This will hurt the economically disadvantaged the most, lead to less housing and be counterproductive to our shared goals. Housing providers are not the root cause of the housing crisis. Ill-conceived policies like this are. We need financial flexibility to cope with economic realities and continue providing quality housing for residents. We need leadership. Please oppose 35.
		Other	Mordechai Haim	Please let 35 stay as currently written and do not change.
			Tim C Riley	

PUBLIC REQUEST TO ADDRESS
THE BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES, CALIFORNIA

Correspondence Received

		Item Total	**119**	
65.		**Favor**	Cassidy Bennett	I urge the Board to pass the draft ordinance from DCBA amending the rent increase formula in the RSTPO, which will help keep rents affordable for low-income tenants in Unincorporated County. Thank you to Supervisor Mitchell for putting forth the amendments. Keep LA Housed supports the County's adoption of a formula that is based on 60% CPI with a 3% cap. But we continue to be concerned about the ordinance's inclusion of additional increases for small landlords. A low-income tenant should not get a higher increase simply because their landlord is a small landlord. Rather than allow extra increases for small landlords, the County should create programs like mortgage and property maintenance support programs for truly struggling mom and pops. In addition, when the ordinance is implemented, the self-certification process for small property owners needs to be as thorough as possible. Whether in the ordinance or guidelines, potential small property owners should have to affirmatively indicate they meet each part of the definition of small property owners in the draft ordinance.
			Christina Boyar	Hello my name is Christina Boyar. I'm an attorney at Public Counsel and a member of the Keep LA Housed Coalition and I live in District 3. I urge the Board to pass the draft ordinance from DCBA amending the rent increase formula in the RSTPO, which will help keep rents affordable for low-income tenants in Unincorporated County. Thank you to Supervisor Mitchell for putting forth the amendments. Keep LA Housed supports the County's adoption of a formula that is based on 60% CPI with a 3% cap. But we continue to be concerned about the ordinance's inclusion of additional increases for small landlords. A low-income tenant should not get a higher increase simply because their landlord is a small landlord. Rather than allow extra increases for small landlords, the County should create programs like mortgage and property maintenance support programs for truly struggling mom and pops. In addition, when the ordinance is implemented, the self-certification process for small property owners needs to be as thorough as possible. Whether in the ordinance or guidelines, potential small property owners should have to affirmatively indicate they meet each part of the definition of small property owners in the draft ordinance. Thank you.

PUBLIC REQUEST TO ADDRESS
THE BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES, CALIFORNIA

Correspondence Received

			The following individuals submitted comments on agenda item:	
Agenda #	**Relate To**	**Position**	**Name**	**Comments**
65.		**Favor**	Edgard Valencia	We urge the Board to pass the draft ordinance from DCBA amending the rent increase formula in the RSTPO, which will help keep rents affordable for low-income tenants in Unincorporated County. Thank you to Supervisor Mitchell for putting forth the amendments. Keep LA Housed supports the County's adoption of a formula that is based on 60% CPI with a 3% cap. But we continue to be concerned about the ordinance's inclusion of additional increases for small landlords. A low-income tenant should not get a higher increase simply because their landlord is a small landlord. Rather than allow extra increases for small landlords, the County should create programs like mortgage and property maintenance support programs for truly struggling mom and pops. In addition, when the ordinance is implemented, the self-certification process for small property owners needs to be as thorough as possible. Whether in the ordinance or guidelines, potential small property owners should have to affirmatively indicate they meet each part of the definition of small property owners in the draft ordinance.

PUBLIC REQUEST TO ADDRESS THE BOARD OF SUPERVISORS COUNTY OF LOS ANGELES, CALIFORNIA

Correspondence Received

			The following individuals submitted comments on agenda item:	
Agenda #	**Relate To**	**Position**	**Name**	**Comments**
65.		**Favor**	Ryan Bell	My name is Ryan and I live in Pasadena, in County BOS District 5. I am a tenant and a member of the Keep LA Housed Coalition. I would like to comment on items 35 and 65. I urge the Board to pass the draft ordinance from DCBA amending the rent increase formula in the RSTPO, which will help keep rents affordable for low-income tenants in Unincorporated County. Thank you to Supervisor Mitchell for putting forth the amendments. Keep LA Housed supports the County’s adoption of a formula that is based on 60% CPI with a 3% cap. But we continue to be concerned about the ordinance’s inclusion of additional increases for small landlords. A low-income tenant should not get a higher increase simply because their landlord is a small landlord. Rather than allow extra increases for small landlords, the County should create programs like mortgage and property maintenance support programs for truly struggling small landlords. Furthermore, landlords routinely hide the scoope of their property portfolio by creating multiple LLCs under different names, such as "123 Central Ave, LLC." There is no way to know, under current State law, who the beneficial owners of those LLCs are. Famous eviction attorney, Dennis Block, has even explained to landlords in a April 27, 2024, YouTube video, how they can hide the true nature of their business by creating multiple LLCs and then claim to be a "small landlord." (Ref. youtube.com/watch?v=tVSUNDvS9LM&t=284s). At least until it's possible to certify that a landlord meets the definition of "small" I would urge the Board not to create confusing carve outs. In addition, when the ordinance is implemented, the self-certification process for small property owners needs to be as thorough as possible. Whether in the ordinance or guidelines, potential small property owners should have to affirmatively indicate they meet each part of the definition of small property owners in the draft ordinance. Thank you!

As of: 11/6/2024 7:00:07 PM

			The following individuals submitted comments on agenda item:	
Agenda #	**Relate To**	**Position**	**Name**	**Comments**
65.		**Favor**	Shane Henson	Hello my name is Shane Henson, and I am a Public Policy Advocate with Inner City Law Center. Inner City Law Center represents low-income clients who are at risk of homelessness throughout Los Angeles County. I would like to comment on item 65. Inner City Law Center urges the Board to pass the draft ordinance from DCBA amending the rent increase formula in the RSTPO, which will help keep rents affordable for low-income tenants in Unincorporated County. Thank you to Supervisor Mitchell for putting forth the amendments. Inner City Law Center and the Keep LA Housed coalition support the County's adoption of a formula that is based on 60% CPI with a 3% cap. But we continue to be concerned about the ordinance's inclusion of additional increases for small landlords. A low-income tenant should not get a higher increase simply because their landlord is a small landlord. Rather than allow extra increases for small landlords, the County should create programs like mortgage and property maintenance support programs for truly struggling mom and pops. In addition, when the ordinance is implemented, the self-certification process for small property owners needs to be as thorough as possible. Whether in the ordinance or guidelines, potential small property owners should have to affirmatively indicate they meet each part of the definition of small property owners in the draft ordinance. Thank you.
		Oppose	Fred Sutton	
			Thomas Woolsey	
		Other	Tim C Riley	
		Item Total	**8**	
Grand Total			**127**	

As of: 11/6/2024 7:00:07 PM

Rebuttal to HR&A Report on RSTPO and Rent Regulation Policy Analysis

August 2024

Beacon Economics

This analysis was developed with support from the California Apartment Association.

ABOUT BEACON ECONOMICS

Founded in 2006, Beacon Economics, an LLC and certified Small Business Enterprise with the state of California, is an independent research and consulting firm dedicated to delivering accurate, insightful, and objectively based economic analysis. Employing unique proprietary models, vast databases, and sophisticated data processing, the company's specialized practice areas include sustainable growth and development, real estate market analysis, economic forecasting, industry analysis, economic policy analysis, and economic impact studies. Beacon Economics equips its clients with the data and analysis they need to understand the significance of on-the-ground realities and to make informed business and policy decisions.

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Executive Summary

This report provides a rebuttal to the recent report published by HR&A Advisors on the Rent Stabilization and Tenant Protections Ordinance (RSTPO) of Los Angeles County. HR&A were commissioned by the county to lay out the supposed costs and benefits of various ways of instituting rent control within the unincorporated parts of Los Angeles County. HR&A argue that logical ways exist to minimize the negative consequences of rent control, making it an effective public policy to counter the current housing "emergency." While the HR&A report does not explicitly endorse rent control, it suggests the policy can be implemented in such a way as to protect renters and provide landlords with a "fair return."

> *[The HR&A] report is inherently built on the assumption that property owners are currently earning significantly more than a "fair return" on their rentals.*

Their report is inherently built on the assumption that property owners are currently earning **significantly** more than a "fair return" on their rentals, as the five new rent control formulas HR&A propose are exceedingly stringent with lower protections for property owners. However, due to COVID moratoriums on rent increases and subsequent reduced caps on rental increases, the current rent control formula (Option 1 or RSTPO) has yet to be tested.

Additionally, due to a combination of the recent tenant relief measures and rising insurance, property tax, and utility costs, property owners have experienced disproportionately negative impacts. Instead of adopting a more severe rent control policy, it would be more reasonable to maintain the current RSTPO, even though this formula too is flawed: any formula based on the CPI fully or partially will disproportionately harm property owners as the costs of providing housing have risen faster than have consumer prices in 7 of the 9 most recent years.

To prevent exacerbating the issue, it is important to steer clear of broad, sweeping measures like rent control. Instead, efforts to help lower income households should focus on:

1. Direct methods of assistance such as earned income housing credits.

2. Expanding the supply of market rate units to push down asking rents for existing vacant units.

3. Continuing the work on expanding affordable housing units that have distinct income limits for occupancy.

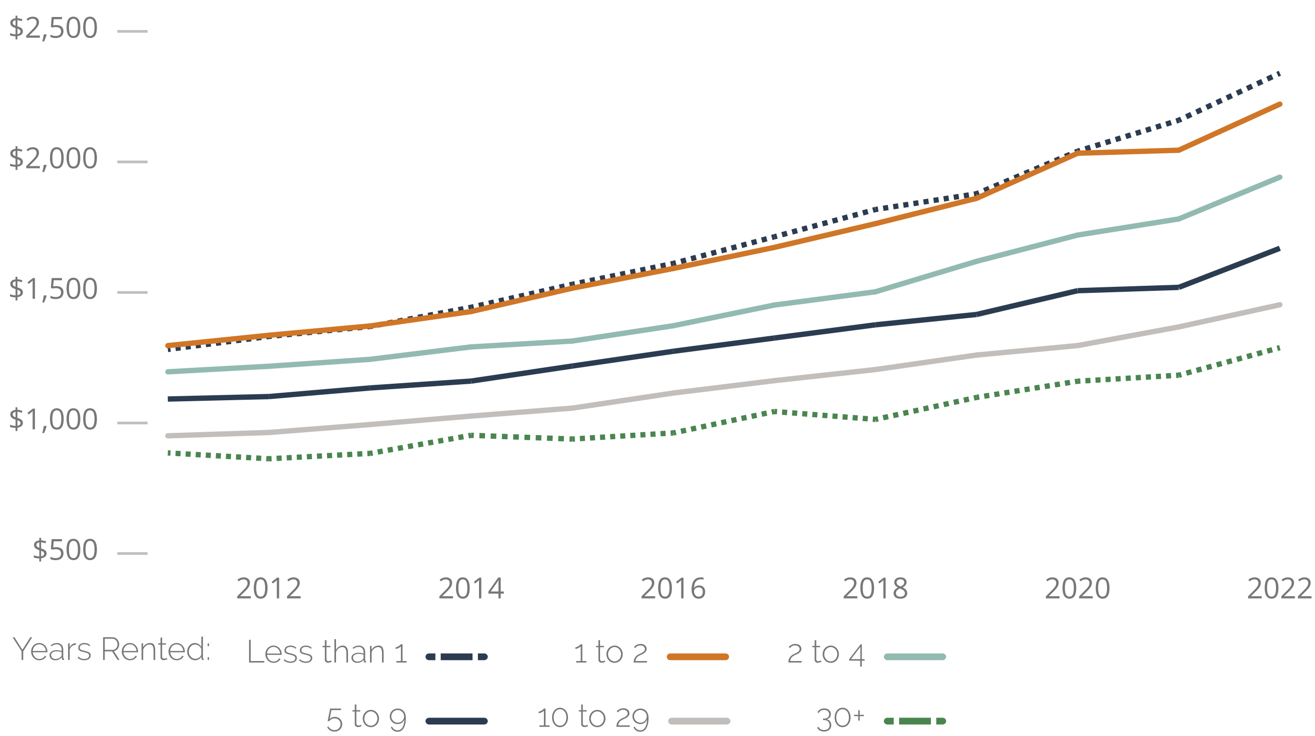
Introduction and Overview

> *Rent increases for existing tenants are generally much smaller than the spikes in asking rents for vacant units.*

A significant misconception among proponents of expanded rent control is the belief that the primary challenge for low-income renters is the annual rent increase in their current units. However, both current and past research conducted by Beacon Economics indicates that rent increases for existing tenants are generally much smaller than the spikes in asking rents for vacant units (see Figure 1 below). In fact, the length of time a tenant stays in a unit offers more protection against rising rental costs than rent control does. The more pressing issue for tenants arises when they need to move—whether due to personal circumstances such as changes in family, employment, health, or the availability of units. Given the low vacancy rates and high asking rents in Los Angeles, lower-income tenants face significant challenges in finding new housing, often resulting in a sharp increase in their rent-to-income ratio. This issue also contributes to the housing struggles faced by college students in the region, who frequently encounter a shortage of affordable housing options while pursuing their studies.

The rent control options outlined in the HR&A report would disproportionately benefit higher-income households, including many who have recently moved into their units. Meanwhile, they would offer only a modest increase in protection against rent hikes for lower-income households and would exacerbate the difficulties lower-income households face when trying to relocate within the region. By further restricting the already limited new housing supply and increasing biases against low-income renters, these measures could accelerate the pace of gentrification within the region's constrained housing market. This is not to suggest that vacancy decontrol should be eliminated, as doing so would likely worsen gentrification, directing the few available units directly to higher-income households.

Figure 1. Actual Rents in California, by Rent Duration



Source: U.S. Census American Community Survey. Analysis by Beacon Economics.

In addition to this underlying misconception, we find the HR&A report to be materially flawed in numerous ways, which calls into question all its conclusions. Specifically:

1. **Rent control is an extreme regulatory measure that is known to have long-run consequences.** As such, rent control and rent stabilization policies should only be considered in the event of an extreme situation, such as after a pandemic or after a sizable amount of housing stock has been lost to a natural disaster. Yet HR&A's overview largely mischaracterizes the current state of the rental market in unincorporated Los Angeles County, depicting an extreme situation that does not align with reality. Their claim is that rents have grown faster in recent years than LA County renters' incomes. This is a common narrative, but as our analysis demonstrates, it does not hold true when examined against the data. Many of the data points used in the HR&A report to support their narrative are factually incorrect, casting doubt on all conclusions drawn.

> *As our analysis demonstrates, [the claim that rents have grown faster in recent years than LA county renters' income] does not hold true when examined against the data. Many of the data points used in the HR&A report to support their narrative are factually incorrect, casting doubt on all conclusions drawn.*

Some examples of the flaws in their report include:

a. **An apples-to-oranges comparison of the growth rate of** real **renter income with the growth rate of** nominal **rental prices in Los Angeles between 2017 and 2022**. Nominal renter income growth outpaced nominal rental price growth over this period. We find that while median gross rent in Los Angeles County has indeed grown by nearly 37%, median renter income in LA County has increased by over 43%.

b. **Incorrectly using the fall in rents in 2020 to calculate the growth in market rents in 2021, failing to account for the fact that the year 2020 was an outlier**. While their report shows that rents saw a sharp rise of 11.5% in 2021, this growth rate is calculated on the drop in rents in 2020. When the preceding year is correctly treated as an outlier, we find that rents in 2021 were in fact lower than they would have been had they continued to grow at their historic pace of 4.3% between 2019 and 2021.

c. **Suggesting that the number of cost-burdened renter households is increasing in unincorporated Los Angeles County over time, while the data shows the opposite to be true.** According to data from the U.S. Census, the share of burdened renter households in unincorporated Los Angeles County fell by 3% in the decade between 2012 and 2022.

d. **Applying the RSTPO formula incorrectly in an attempt to demonstrate a time** series of allowable rent increases. The formula employed by HR&A uses each year's CPI to determine the "RSTPO allowable rent increase" for that year, while the RSTPO formula, as explained in Chapter 8.52.050 of the Los Angeles County website, is based on the "percentage change in the average CPI over the previous twelve (12) month period ending in September."

2. HR&A's guideline for rent control policy presumes to allow for a "fair return" for property owners. This return is purportedly allowed through a limit on rental price growth approximately matching the growth in property owners' maintenance costs of operating a multi-family unit. There are **multiple problems with this simplistic view of a "fair return"** including:

   a. **Their assessment of a "fair return" stands in stark contrast to how financial markets operate.** A fair return on an investment would need to include estimations for the risk taken on by the investor, linked both to interest rates and to market-specific risks. As stated in Federal Power Commission v. Hope Natural Gas Company, determining prices that will provide a fair return "involves a balancing of the investor and the consumer interests."[1] One of these investor interests is a "return to the equity owner… commensurate with returns on investments in other enterprises having corresponding risks." HR&A Advisors fail to take risk into account in their estimation of a "fair return," in direct opposition to the U.S. Supreme Court's opinion.

HR&A Advisors fail to take risk into account in their estimation of a "fair return," in direct opposition to the U.S. Supreme Court's opinion.

   b. **Their concept of a "fair return" critically overlooks the distinction between the rate of return necessary to encourage the ongoing maintenance of an existing building, versus that needed to encourage the development of a new building**. The latter is necessary to provide incentives for new investment in the region and is distinctly higher than the return required to incentivize ongoing maintenance and improvements for existing units. A higher return is necessary to encourage new development in a region, as investment in new structures is inherently riskier. For example, it can take several years to obtain a construction permit, if one is ever

1 FPC v. Hope Nat. Gas Co., 320 U.S. 591 (1944).

issued at all. As stated in Southwestern Bell Telephone Company v. Public Service Commission of Missouri, the return for owners in price-regulated industries “should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital.”[2] HR&A Advisors fail to account for the return necessary to attract new investment, in direct opposition to the Supreme Court’s opinion.

c. HR&A’s **calculation of a “fair return” does not account for mortgage payments or other debt payments property owners may need to make**. While it is standard practice to exclude the cost of servicing debt when calculating net operating income, a fair return should encompass debt expenditures. As opined in the Supreme Court case **Chicago & Grand Trunk Railway Co. v. Wellman**, when regulatory bodies set prices in the market, it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business, including payments on debt.[3] HR&A fail to include debt payments in their conception of a “fair return” on owners’ real estate investments.

d. Their implicit assumption that property owners are currently earning at least a “fair return,” apparent in their advocacy of capping rents at current rates, is a large stretch given that for the last few years, rents have been capped despite a sharp increase in expenses for landlords. For example, since the beginning of 2023, homeowner insurance premiums have experienced a significant rise according to data from the U.S. Bureau of Labor Statistics. This recent cost increase, among others, is not accounted for in HR&A’s calculations of net operating income. In Southwestern Bell Telephone Company v. Public Service Commission of Missouri, the U.S. Supreme Court emphasized the importance of considering current costs of labor, materials, and other factors when setting rates, criticizing the Commission for relying on outdated cost calculations and failing to account for the increased costs faced by the company.[2]

2 Southwestern Bell Tel. Co. v. Public Svc. Comm’n, 262 U.S. 276 (1923).

3 Chicago c. Railway Co. v. Wellman, 143 U.S. 339 (1892).

e. **Most of the rent control options suggested in HR&A's report link rental price caps to changes in the Consumer Price Index (CPI)**. For property owners to continue earning a "fair return," as HR&A assume they are earning, the costs of maintaining housing would have to grow at the same pace as consumer prices. Yet the report does not offer any evidence to suggest that these growth rates are comparable. In fact, their report shows the opposite. According to data from the Bureau of Economic Analysis (BEA), the cost of maintaining housing has increased by 10% more in the last five years than consumer prices, and 40% more in the last twenty years. A rent control formula based on the CPI will erode, and eventually erase, the rate of return on rental housing. At the same time, their report neglects to address the fact that renter incomes have grown faster than the CPI. Hence, any application of these formulas will not only hurt landlords at an accelerating pace, but will also excessively favor renters, who will see their rents rise far slower than their incomes.

> *Any application of these formulas will not only hurt landlords at an accelerating pace, but will also excessively favor renters, who will see their rents rise far slower than their incomes.*

The consequences will be even more severe for those formulas where rental increases are based on a percentage of the change in the CPI, such as Option 4 of HR&A's report. This option proposes a formula based on 60% of CPI inflation, no minimum rent increase, and a maximum rent increase of 3% per year. As their report acknowledges, this option will provide "the greatest protection to tenants" at the cost of harming property owners (Executive Summary, page 2).

f. HR&A's **calculations miss the broad difference in the distribution of rents paid in the rental market, as well as the difference in the cost of maintaining buildings of differing size, age, and condition**. A universal approach will not level the playing field, but rather freeze it at its current unequal level. This approach will undoubtably have significant negative outcomes for a large segment of the market – and most likely for smaller investors for whom expenses tend to be a higher share of revenues.

3. Their models **fail to account for the long-term consequences of rent control**, including:

a. **The loss of renter mobility and liquidity in the market.** Due to rent control policies, tenants are often reluctant to move out of and give up their affordable units, even if their financial situation has changed. The HR&A report reveals a preference for renter immobility, despite positive income changes for renters.

> *The HR&A report reveals a preference for renter immobility, despite positive income changes for renters.*

b. **Reduced supply of rental housing.** Over time, landlords convert rental units into condominiums and developers are deterred from entering markets where stringent rent control policies apply.

c. **Deterioration of rent controlled units over time.** As owners of rent-controlled properties are prevented from achieving sufficient profits, and there is a lack of financial incentive to invest in improvements, over time the quality of units subject to rent control deteriorates.

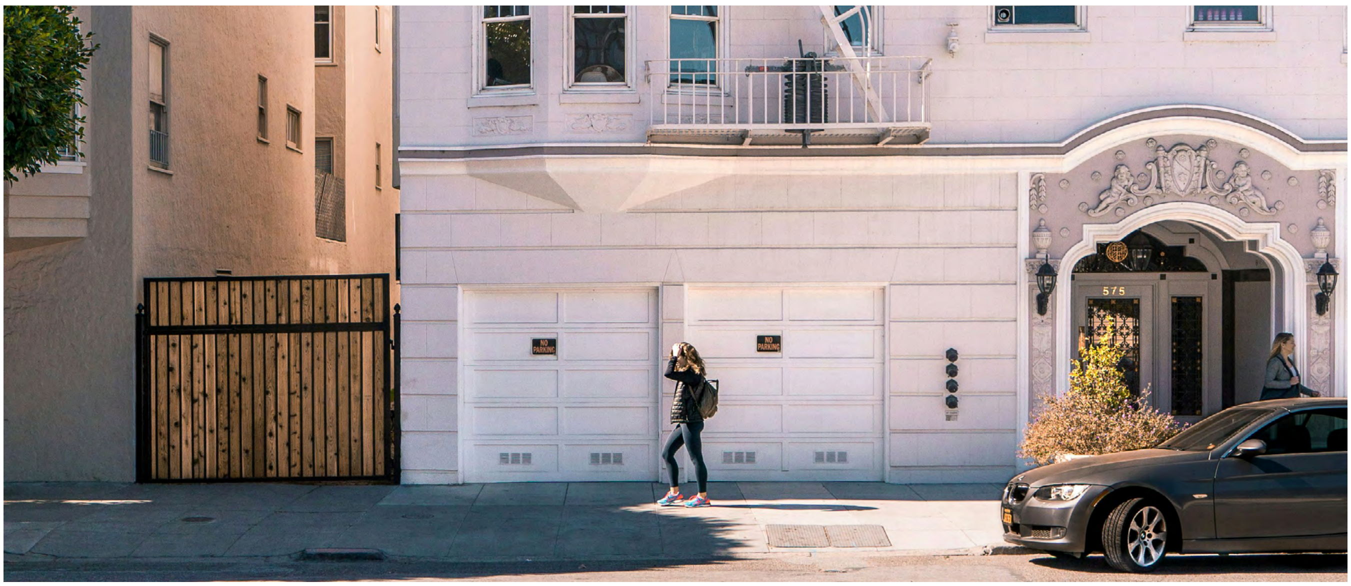
d. **Increased rents on non-controlled units.** With a reduced supply of rental housing, and increased demand for rental housing driven by lower-than-market rents offered on rent-controlled units, rents on non-controlled units are driven up.

e. **Misallocation and the spillover effect into the higher end of the rental market, where intervention is not needed.** Rent-controlled units are often misallocated in the market and tenants with differing means and willingness to pay end up occupying these units. This includes tenants of higher income (such as those occupying luxury units) who are not in need of rent control protections.

In line with economic theory and previous academic research, our assessment suggests that rent control policies are often controversial and have unintended consequences despite their goal of making housing more affordable. Though the costs of rent control policies generally outweigh the benefits, this extreme measure can be warranted in extreme economic situations. We are not currently in such a situation, despite HR&A Advisors' characterization of the current state of the rental market in unincorporated LA County.

Of the six different rent control options presented in the HR&A report, the current RSTPO policy is preferred as it may offer a balance between the interests of landlords and tenants and has yet to be applied in the market due to rent freezes. However, even this plan is materially flawed and can be predicted to lead to substantial profitability issues for owners in the Los Angeles rental market over the next few years.

Overview of Current Rent Control Policies



CALIFORNIA

The concept of rent control began to take shape in California in the 1970s, spurred by rising housing costs and the inflationary environment of the decade. Several California cities implemented local rent control ordinances in the 1970s and 1980s, initially intending them to be temporary measures: Beverly Hills (1978), Los Angeles (1978), Hayward (1979), San Jose (1979), San Francisco (1979), Santa Monica (1979), Berkeley (1980), East Palo Alto (1986), and West Hollywood (1985). With different local governments ordaining different levels of regulation, navigating the rental market in California grew increasingly difficult for landlords and tenants alike.

> *"Once [rent] controls have been imposed they are difficult to remove... Rent control in almost every instance had been adopted as an avowedly temporary measure, under laws of short duration, but in few cases did the legislators find it possible to dispense with controls as early as had been hoped."* [1]

In 1995, the **Costa-Hawkins Rental Housing Act** passed in California, providing much-needed clarity and consistency for landlords and tenants across the state. Beyond mere standardization, Costa-Hawkins offered a balance between the interests of landlords and tenants through an exemption of properties constructed after February 1, 1995, an exemption of single-family homes and condominiums, and an allowance for vacancy decontrol.

Yet, the implementation of Costa-Hawkins has been the subject of intense debate and was a focal point of **Proposition 10**, which sought to repeal parts of the act. In a 2018 report by UC Berkeley's Fisher Center for Real Estate and Urban Economics, Rosen reflects on this balance in stating that Costa-Hawkins has "continued to allow local jurisdictions to adopt rent control, but established a pragmatic framework to prevent excessively restrictive forms of rent control."[4] The report further states:

> *Beyond the negative supply-side effects of rent control, if Costa-Hawkins is repealed and cities adopt stricter forms of rent control, declines in rental income would result in numerous unintended consequences, including:*
>
> *1) a significant drop in apartment property values;*
>
> *2) deferred maintenance on existing properties and a deterioration in housing quality;*
>
> *3) lost revenue that will squeeze thousands of small, mom-and-pop businesses; and*
>
> *4) a decline in state and local tax.*

The proposition was ultimately defeated in a statewide vote in November 2018. However, less than a year later, in response to widespread pressure from various stakeholders and advocacy groups, the California State Legislature passed the **Tenant Protection Act of 2019 (AB 1482).** Governor Gavin Newsom signed the bill into law on October 8, 2019, and AB 1482 went into effect on January 1, 2020, introducing statewide rent control and tenant protections. Though not a repeal of Costa-Hawkins, this law limits annual rent increases to 5% plus the local rate of inflation (not to exceed 10% of the rent) and includes "just cause" eviction protections for tenants who have lived in a property for 12 months or more.

4 Rosen, K. T. (2018). The Case for Preserving Costa-Hawkins: How Rent Control Reduces Property Values, Hurts Small Businesses and Limits State and Local Tax Revenue.

Governor Newsom's endorsement and political influence were crucial in pushing the AB 1482 bill through the legislature. The governor's support of the bill was part of his broader agenda to address housing affordability and homelessness in California. While the state faces rising homelessness, empirical findings on the effects of rent control on homelessness are mixed. A recent literature review on the effects of rent control policies finds that, according to some empirical studies, rent control has a positive impact on homelessness. Other empirical studies conclude it has a negative effect, while still others find no causal link between rent control and homelessness.[2]

> *While the state faces rising homelessness, empirical findings on the effects of rent control on homelessness are mixed.*

Just one month after AB 1482 was passed, on November 19, 2019, the Los Angeles County **Rent Stabilization and Tenant Protections Ordinance (RSTPO)** was approved by the Los Angeles County Board of Supervisors. The ordinance was designed to regulate rental properties (built on or before February 1, 1995, excluding single-family homes and condominiums) in the unincorporated areas of LA County, by providing rent stabilization and tenant protection measures. The RSTPO went into effect on April 1, 2020, and originally limited rent increases based on the CPI. Shortly thereafter, in response to the COVID-19 pandemic, the county instituted a freeze on rent increases until March 2023. In April 2023, LA County authorized a 3% rent increase cap, followed by a 4% rent increase cap in January 2024 that is set to expire at the end of 2024.

Another proposition was introduced to repeal parts of Costa-Hawkins one year after the RSTPO was passed. **Proposition 21** was a ballot initiative during the November 2020 election that sought to expand the scope of rent control policies. Specifically, the initiative proposed an expansion of rent control measures to apply to single-family homes and condominiums (provided the owner owns more than two such properties), an extension of rent control policies to apply to properties built between 15 and 25 years ago, as well as an allowance of limitations to vacancy decontrol. However, like Proposition 10, the ballot measure was defeated in a statewide vote.

NEW YORK

Rent control has been equally prominent presence in New York, beginning at around the same time as in California. Rent stabilization policies allowing for automatic annual rent increases tied to inflation were adopted in New York City in 1969 under the **Rent Stabilization Law of 1969** to cover apartments built between 1947 and 1969. New York Governor Nelson A. Rockefeller signed vacancy decontrol into law in 1971, but that was soon replaced with the **Emergency Tenant Protection Act (ETPA)**, which specified that when rent controlled units become vacant in the city, they convert into rent stabilized units.

The ETPA expired and was renewed several times after 1974, its most recent expiration being in 2019. In that period, the **Rent Regulation Reform Act of 1993** was passed, introducing vacancy decontrol, high-income deregulation, and major capital improvement increases. In June 2019, New York's rent regulation laws were drastically changed with the introduction of the **Housing Stability and Tenant Protection Act (HSTPA)**. The HSTPA significantly increased tenant protections for people living in rent stabilized units, leading to significant negative effects.

The issues caused by the HSTPA in New York – particularly the disproportionate impacts on owners with small portfolios (those with less than 11 units) – are openly acknowledged in a **recent report** by HR&A. Their report shows that high vacancy rates, which are disproportionately affecting owners with small portfolios, are significantly higher for moderately (26-75% of units) and primarily (76-100% of units) rent-stabilized buildings than for partially (0-25% of units) rent-stabilized buildings. Namely, owners with small portfolios are facing 18% vacancy rates for moderately rent-stabilized buildings and 25% vacancy rates for primarily rent-stabilized buildings.

Moreover, HR&A's report shows that over one third of units in small portfolios that are moderately rent-stabilized, and nearly all the units in small portfolios that are primarily rent-stabilized, need major capital investments. This is not surprising given that the HSTPA limits the amount landlords can increase rents to recover costs for building-wide improvements and makes it more difficult to pass these costs on to tenants.[5]

5 https://nyassembly.gov/leg/?default_fld=&leg_video=&bn=A08281&term=2019&Text=Y

> *The HSTPA exacerbates the misallocation problem that exists due to rent control policies. As studied, both empirically and theoretically... rent control policies lead to misallocation in the rental market.*

In addition to the issues of high vacancy rates and units in need of major capital investments, both disproportionally affecting owners with small portfolios, the HSTPA exacerbates the misallocation problem that exists due to rent control polices. As studied, both theoretically and empirically using the American Housing Survey and New York City Housing and Vacancy Survey, rent control policies lead to misallocation in the rental market.[3]

The study estimates the costs of rent control in New York City due to the misallocation of rental apartments to be $200 per apartment annually in 1993 (roughly $432 in today's dollars). Since the HSTPA eliminates high-income deregulation, apartments will no longer be removed from rent regulation when a tenant's income exceeds a certain level, effectively amplifying the existing misallocation issue.

The misallocation issue in New York City's rental market is also apparent in recent census data. The Census Bureau's 2023 New York City Housing and Vacancy Survey finds that the median income for renters in rent-stabilized units is $60,000 (which is surprisingly close to the $70,000 median income for all renters in the city), and 30% of renters in these units earn $100,000 or more.[6] Besides misallocation, the census data indicates that rent-stabilized units in New York City have more housing problems compared to market rentals. This discrepancy exists in a variety of forms, from rodents (39% of rent-stabilized vs. 22% of market rentals), to leaks (26% vs. 15%), to heating breakdowns (20% vs. 9%), to the presence of mold (15% vs. 6%).

6 https://www.nyc.gov/assets/hpd/downloads/pdfs/about/2023-nychvs-selected-initial-findings.pdf

Part I. Data Errors & Misrepresentations

HR&A Advisors recent study on unincorporated Los Angeles County's rent stabilization and tenant protection policies presents alternative policy options for rent control, all of which are more restrictive than the current RSTPO. Increasingly restrictive rent control measures should be linked to increasingly worsening problems faced by tenants. Instead, the data shows that the problems are becoming less serious with time. And yet, HR&A appear to advocate stricter rent control measures.

> *The data shows that the problems are becoming less serious with time. And yet, HR&A appear to advocate stricter rent control measures.*

Their study is based on the claim that rising rents in LA County are contributing to housing insecurity, defined as housing costs exceeding 30% of a household's income – that since 2017 the median rental price in the county has increased by 37% while median income has increased by 22%. We show first that this gap does not exist as claimed in their report, and second, we present evidence on relevant metrics of LA County renter burden. Based on U.S. Census data, we show that renter burden has been decreasing over time for renters in unincorporated LA County.

We show that housing supply has not kept pace with the population growth in LA County over the last century. Low housing supply, coupled with higher demand for housing caused by higher renter incomes, necessarily leads to higher rents – it is a straightforward interaction of supply and demand. The housing issues in LA County, and in California generally, are fueled by a lack of housing supply.

Last, we present a retrospective comparison of median gross rents and RSTPO allowable rent increases from 2013 to 2023, assuming temporary moratoriums had not been imposed between 2020 and 2023. Of the six policy options presented in the report by HR&A Advisors, the RSTPO may offer the best compromise between tenants and landlords. However, even this plan is materially flawed and can be predicted to lead to substantial profitability issues for owners in the Los Angeles rental market over the next few years.

GROWTH IN MARKET RENTS

The year 2020 was marked by the onset of the COVID pandemic, during which the CDC enacted a national eviction moratorium and local governments imposed caps on rent increases. As such, median gross rent in LA County fell by 2.7% in 2020. When rental prices course-corrected in the following year, the year-over-year change was an apparently drastic uptick of 11.5%. In fact, rental growth was on par with its historical record. If rents had continued to grow in 2020 and 2021 at the same 4.3% average pace observed between 2012 and 2019, gross median rent in 2021 would have been higher than it was in 2021. HR&A fail to account for this outlier correction, claiming: "Since 2020, market rents in LA County have risen sharply." (Appendix B, page 29).

GROWTH OF INCOME VS. RENTS

Using data spanning the same time period and from the same source as used by HR&A (five-year estimates for 2017 & 2022 data from the U.S. Census American Community Survey), we find that median gross rent in Los Angeles County did indeed grow by nearly 37% from $1,322 to $1,805. However, using the same data set as that used by HR&A (five-year estimates for 2017 & 2022 data from the ACS), we are unable to replicate HR&A's finding that median renter income increased by only 22% in those five years. Instead, we find that median renter income in LA County has increased from around $43k to around $61k, representing an **increase of over 43% of renter income over this period, not 22% as reported by HR&A** (Appendix B, page 5).

HR&A likely presented the change in real rental income over time, which would be around 22%, if nominal income is inflation-adjusted using the core CPI (excluding food and energy prices). Comparing the growth rate of real income and the growth rate of nominal rents is not a correct comparison.

HR&A's report is based on the premise that rising housing costs, "when paired with a mismatch in income growth, can create or exacerbate affordability challenges and housing instability for tenants" (Appendix B, page 5). However, as can be seen in the data, the **mismatch between the growth of rental prices and renter incomes is not in the direction that HR&A claim**, as rental prices have been increasing at a slower pace than has median household income in Los Angeles County.

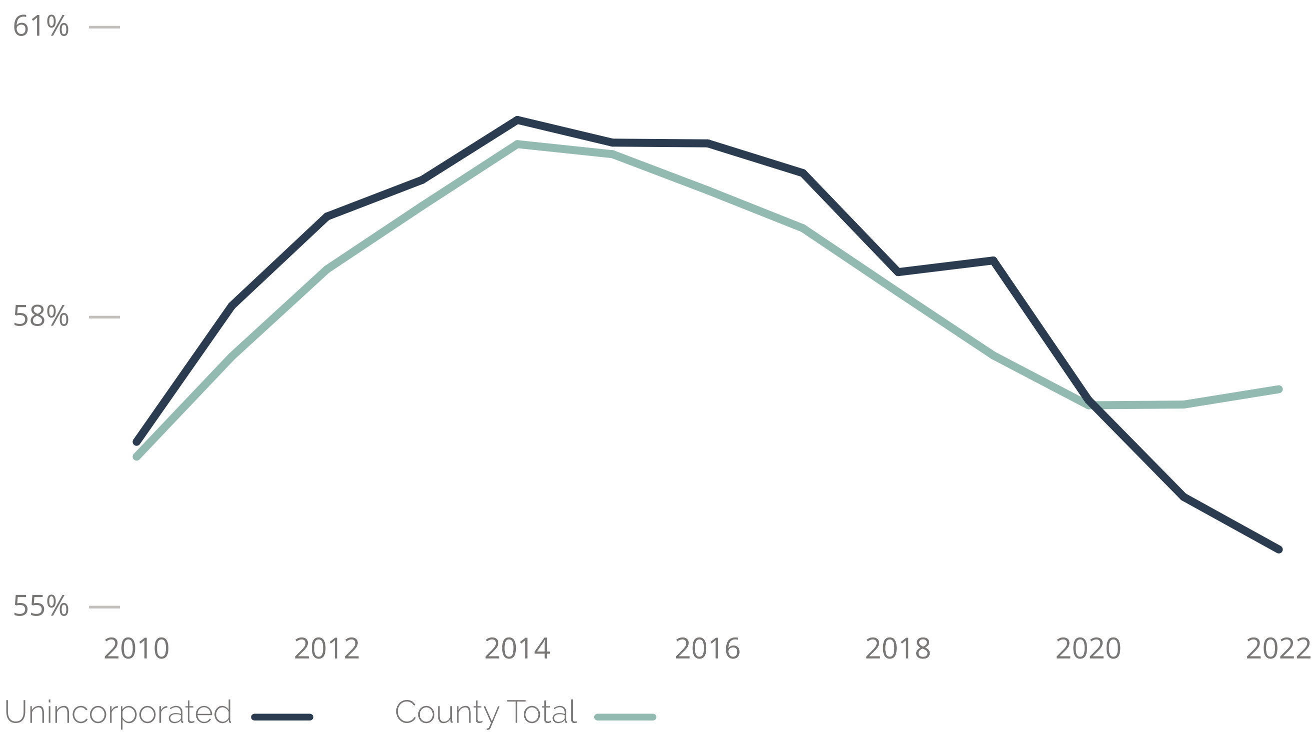
BURDENED RENTER HOUSEHOLDS

Another way to study the question of rising housing instability is to consider the share of renter income that is spent on housing. The report by HR&A states that "almost all renters with incomes below $50,000 are cost-burdened, meaning they spend more than 30% of income on rent" (Appendix B, page 14). Yet it is **not clear whether housing assistance and food assistance are accounted for**. Section 8 housing vouchers allow low-income families, the elderly, and the disabled to afford housing in the private market, and CalFresh, the state's food stamp program, allows low-income families to purchase food. However, if the monetary value of Section 8 vouchers and of CalFresh food stamps are not included in the calculation of income, then income levels used in the report are underestimates of their true monetary value. Since there is no mention of either program in HR&A's report, it is not surprising that most low-income renters are reported to be cost-burdened.

The report goes on to state that "there are over 83,000 cost-burdened renter households in unincorporated LA County (59%). This may be due to rising rents, declining incomes, or a combination of factors" (Appendix B, page 14). **Examining the data over time, we find that the share of cost-burdened renters has been declining in LA County**. Using data from the ACS, we find that the median rent-to-income ratio dropped by 1% between 2017 and 2022.

Moreover, Figure 2 presents data from the U.S. Census on the share of burdened renter households in unincorporated Los Angeles County as well as in the county overall. Following the methodology of the Federal Reserve Bank of St. Louis (FRED), the share of burdened renter households is calculated as the sum of households that rent spending 30.0%-34.9% of their income on gross rent and households that rent spending 35.0% or more of their income on gross rent (ACS 5-year variables DP04_0141E and DP04_0142E, respectively, from table DP04) divided by the sum of the total number of households that rent (ACS 5-year variables DP04_0136E from table DP04).[7] **The downtrend of burdened households in unincorporated parts of LA County over time** is readily apparent in this data.

Figure 2. Burdened Households: Los Angeles County, 2012-2022



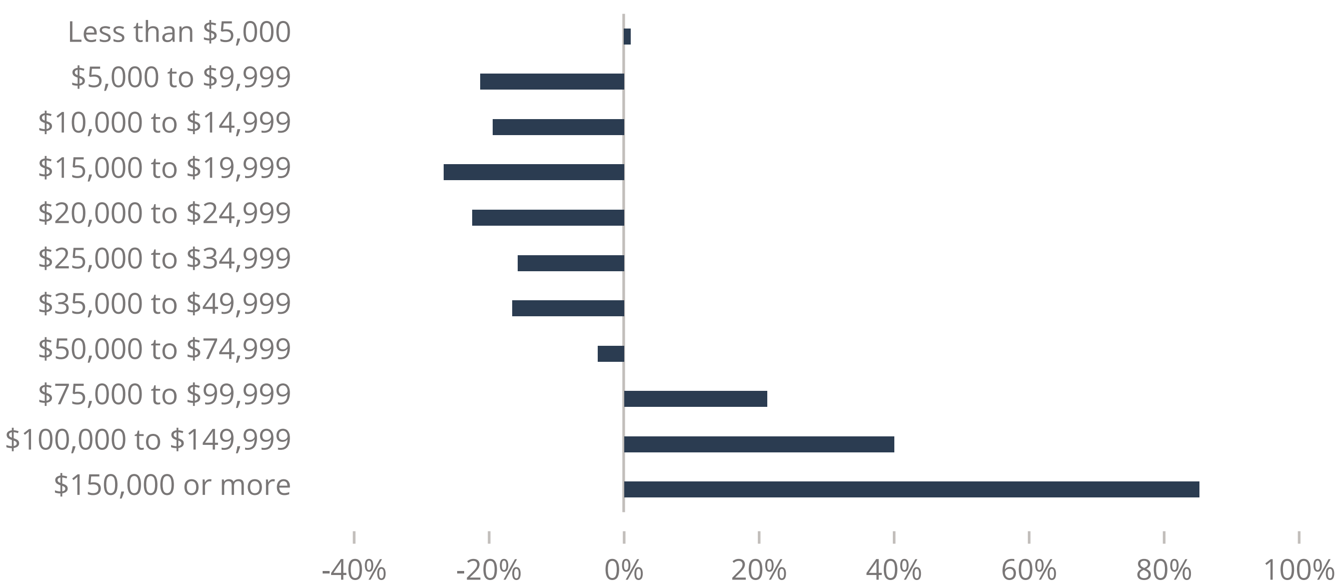
Source: U.S. Census American Community Survey (5-year estimates). Analysis by Beacon Economics.

7 Note that the calculation excludes households where gross rent cannot be calculated.

DISTRIBUTION OF RENTERS BY INCOME

The question of housing insecurity experienced by renters can be better answered through an examination of the data on tenure, by renter income levels, provided by the ACS (see Figure 3). Comparing tenure by LA County renter income levels from 2017 to 2022, we find that the number of rental units occupied by people earning less than $75,000 per year decreased over this period, but **the number of rental units occupied by people earning more than $75,000 per year substantially increased**. For owner-occupied units, there has been a drop in the number of units occupied by households earning $75,000 to $150,000, and only about a 45% increase in the number of units occupied by households earning $150,000 or more – a far less drastic change as compared to the experience of LA renters.

Figure 3. Change in Tenure by Household Income for Rental Units: LA County, 2017 to 2022

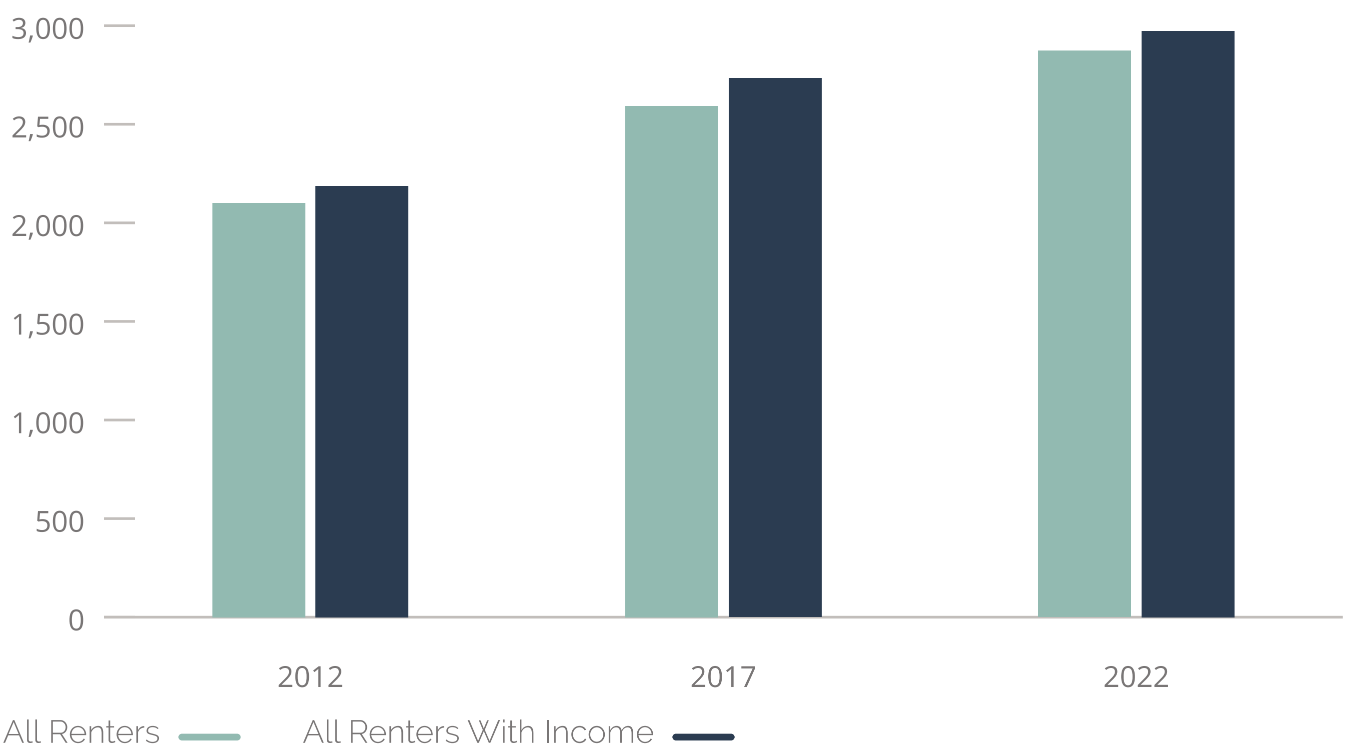


Source: U.S. Census American Community Survey (5-year estimates for 2017, 2022). Analysis by Beacon Economics.

POST-RENT INCOME

Moreover, we can consider what has happened to post-rent gross income for LA County renters over the same period. Adjusting for inflation, median post-rent gross income has increased from $2,593 to $2,872 per month from 2017 to 2022, a roughly similar pace of increase as was seen between 2012 and 2017 (see Figure 4). This means that **in real terms, the typical renter in LA County is doing financially better over time**.

Figure 4. Real Median Post-Rent Gross Income for Renters: LA County (2012-2022)



Source: U.S. Census American Community Survey Public Use Microdata Sample (2017-2022). Analysis by Beacon Economics.

GROWTH IN POPULATION VS. HOUSING SUPPLY

Instead of attempting to expand on rent regulation policies, which have repeatedly been shown to be inefficient and a source of unintended consequences, **the real issue should be addressed: limited housing supply**.

The state continues to issue slightly less than 10,000 housing permits per month, the same number as in 2017.[8] Despite all the changes in RHNA rules, Senate Bill 8 and Senate Bill 9, changes in ADU rules and so on, the state has failed to improve housing shortages. **Instead, the state has focused on affordability, which completely misses the real issue and fuels gentrification**. As the lack of housing supply drives up California's home prices, higher income families with lower price sensitivity are moving in, driving prices still higher and pushing lower income families with greater price sensitivity out of the state.

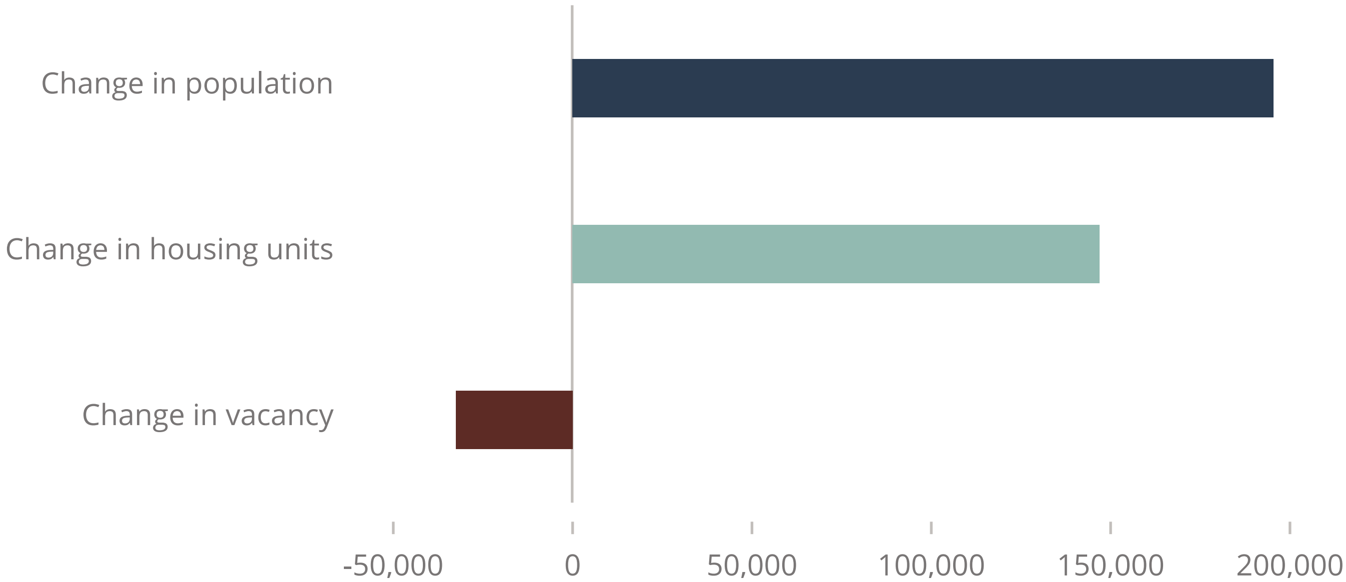
Consider Figure 5 which shows the absolute growth in the population of LA County and the absolute growth in housing units from 2010 to 2020. The population of Los Angeles has grown by 195,404 people over the last decade while housing has only grown by 146,905 units. Not surprisingly, vacancies have decreased, from nearly 204,000 vacant units in 2010 to around 171,000 vacant units in 2020. Figure 6 provides another view of this same discrepancy.

While the total population of Los Angeles County has continued to grow over the past century, the number of housing units constructed has not kept pace with this growth. According to the U.S. Census American Community Survey in 2022, there are nearly half as many housing units in LA County that were built in the four decades after 1980 than there are housing units built in the four decades before 1980. The report by HR&A Advisors fails to suggest that rising market rents are partly due to the lack of new housing supply in the face of increasing demand.

> *"Rising market rents are partly due to the lack of new housing supply.*

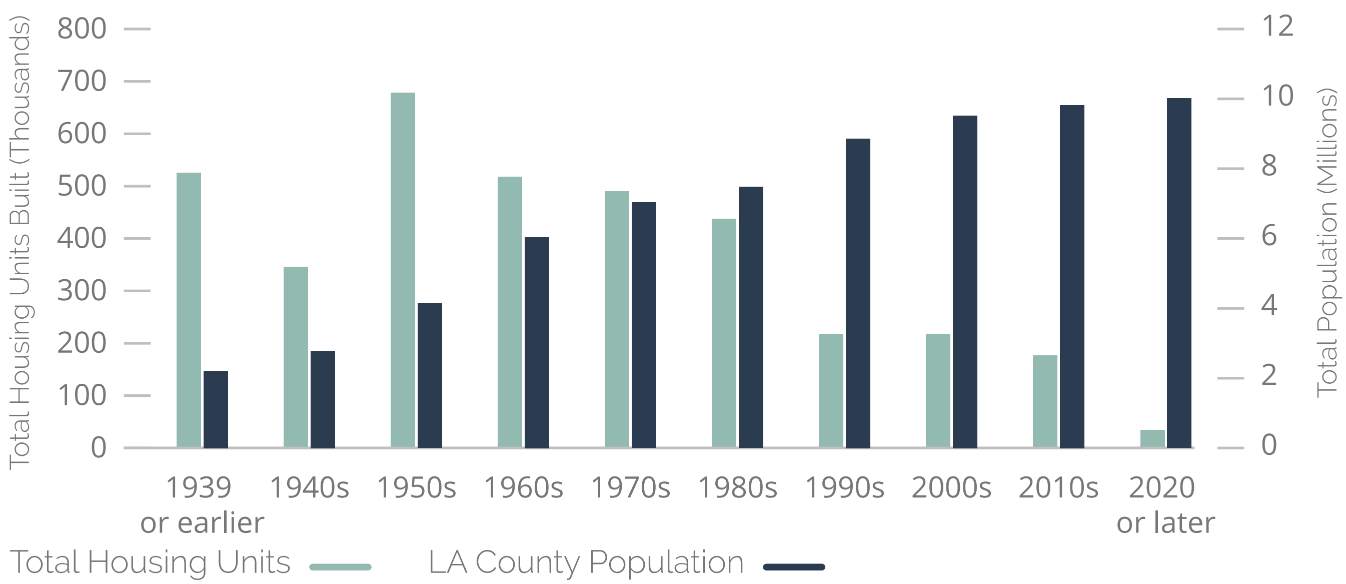
8 https://fred.stlouisfed.org/series/CABPPRIVSA

Figure 5. Change in Population, Total Housing Units, Vacancy: LA County (2010-2020)



Source: Decennial U.S. Census, 2010 and 2020. Analysis by Beacon Economics.

Figure 6. Total Population and Total Housing Units: LA County (1930s - 2020s)



Source: Decennial U.S. Census, 1930-2020 and U.S. Census American Community Survey, 2022. Analysis by Beacon Economics.

APPROACHES TO RENT STABILIZATION

The HR&A report claims:

> *"Without temporary rent freezes, the RSTPO formula would have allowed rent increases in excess of market rents, due to a dip in market rents in 2020 as well has high inflation rates."*

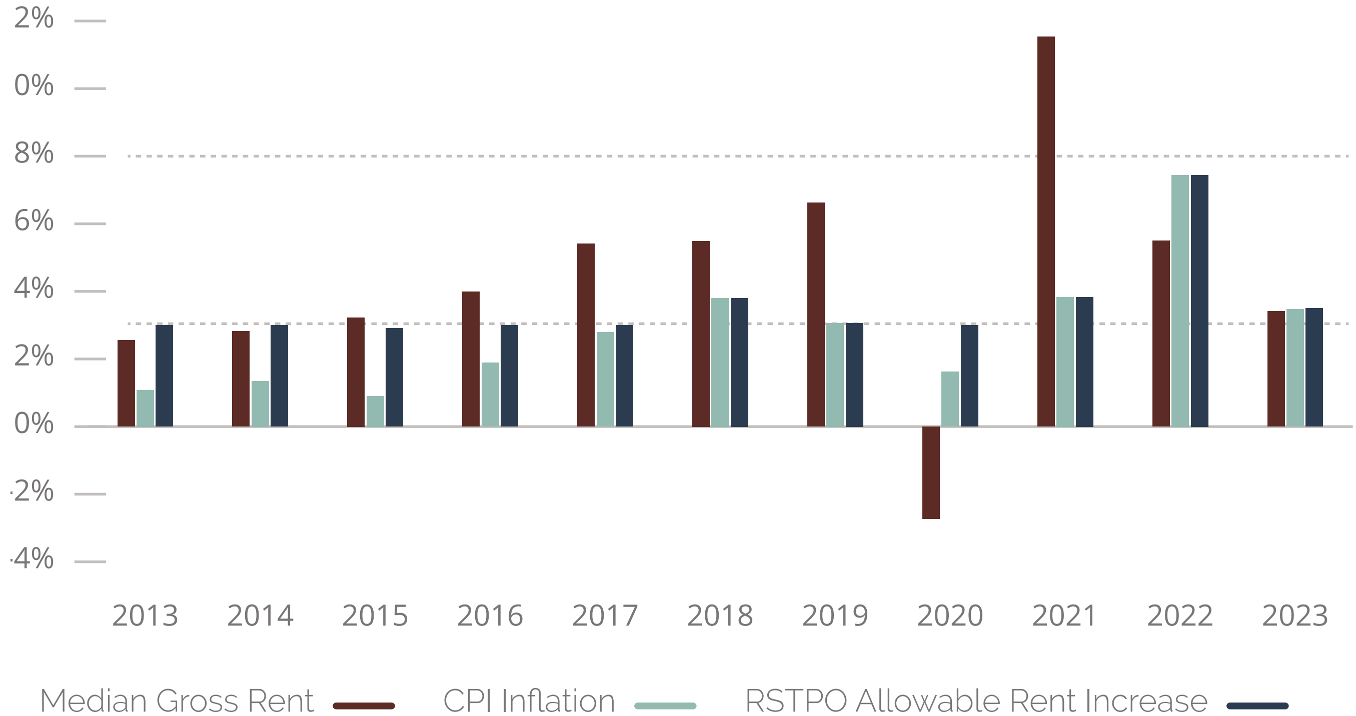
This statement is incorrect in several respects. First, **the application of the RSTPO formula in the HR&A report is incorrect** (see Figure 7a and Figure 7b for comparison). The formula for the RSTPO is currently based on CPI inflation rates, with a rent cap of 0% in years with consumer price deflation surpassing 2%, and a rent cap of 8% in years with consumer price inflation surpassing 8%. For inflation rates between -2% and 1%, the rent cap is the inflation rate plus 2%. For inflation rates between 1% and 3%, the rent cap is 3%, and for inflation rates between 3% and 8%, the rent cap matches the CPI. For any given year, this formula is based on the inflation in the CPI from September of two years previously to September of one year previously. For example, the RSTPO allowable rent increase in 2025 will be based on how much inflation occurred between September 2023 and September 2024. In HR&A Advisors' report, the relevant inflation rate for a given year is calculated as that which occurs between January and December of the same year. It is, of course, impossible to predict the precise inflation rate that will occur in a year before it has occurred, which is the underlying assumption made by HR&A Advisors. That is not to say it is impossible to have a rent regulation policy based on expected inflation. However, that is not how RSTPO is formulated.

As stipulated in Chapter 8.52 – Rent Stabilization and Tenant Protections:

> *"Annual Rent increases for Fully Covered Rental Units [under RSTPO] shall be limited to reflect the percentage change in the average CPI over the previous twelve (12) month period ending in September."*[9]

9 See: https://library.municode.com/ca/los_angeles_county/codes/code_of_ordinances?nodeId=TIT8COPRBUWARE_DIV3HO_CH8.52RESTTEPR

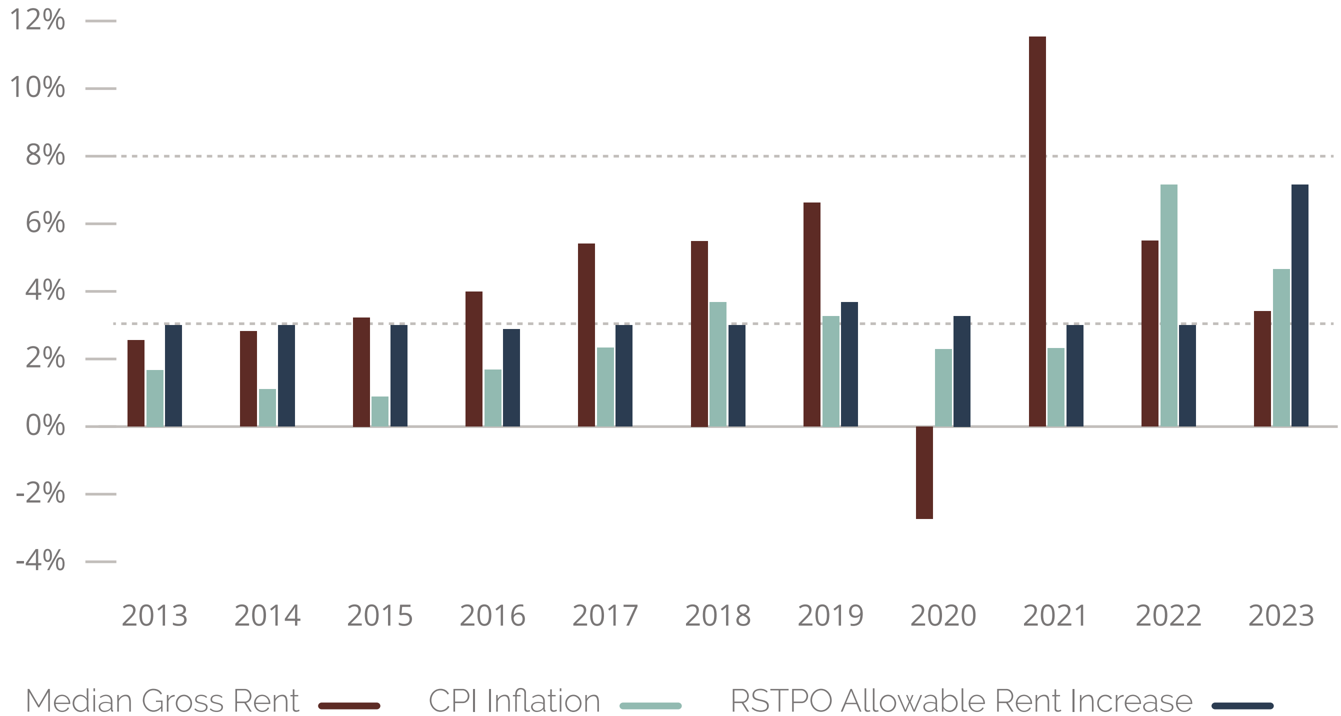
Figure 7a. (Correct Application of RSTPO Formula) Annual Percent Change of Median Gross Rent, CPI, & RSTPO Allowable Rent Increases: LA County (2013-2023)



Source: U.S. Census ACS 1-Year Estimates, U.S. Bureau of Labor Statistics, Zillow ZORI, LA County. Analysis by Beacon Economics.[10]

10 Note: Los Angeles County's RSTPO program started in 2020. RSTPO Allowable Rent Increases reflect hypothetical increases had the RSTPO taken effect prior to or beginning in 2013, without COVID-19 modifications between 2021 and 2023. Median Gross Rent data for 2020 uses ACS 5-Year Estimates and for 2023 is approximated based on ZORI data of mean of listed rents that fall into the 35th to 65th percentile range for all homes and apartments in a given region, weighted to reflect the rental housing stock.

Figure 7b. (Incorrect Application of RSTPO Formula, Replication of HR&A Report) Annual Percent Change of Median Gross Rent, CPI, & RSTPO Allowable Rent Increases: LA County (2013-2023)



Source: U.S. Census ACS 1-Year Estimates, U.S. Bureau of Labor Statistics, Zillow ZORI, LA County. Analysis by Beacon Economics.14

Furthermore, when using the correct application of the RSTPO formula, the claim that "without temporary rent freezes, the RSTPO formula would have allowed rent increases in excess of market rents," is not supported. There were temporary rent freezes imposed throughout the entire years of 2020, 2021, and 2022. In 2020, median gross rent in LA County decreased by 2.7% while the RSTPO allowable rent increase would have been 3.3%. In the year 2021, median gross rent increased by 11.5%, and in the year 2022 median gross rent increased by 5.5%. The RSTPO allowable rent increase would have been 3% for each of those years. **Temporary rent freezes prevented rents from increasing for RSTPO units. Without them, however, the RSTPO would not have allowed rent increases in excess of market rents in 2021 and 2022**, as is claimed in the HR&A report.

Part II. Operating Expenses & Rate of Return

In their report, HR&A Advisors base their rent control policy analysis on striking a balance between the interests of tenants and property owners, where the interests of owners are represented through the concept of a "fair return."

The concept of a "fair return" typically applies to regulated monopolies, such as utility companies (electric, water, gas). The rate is determined by regulatory bodies, such as public utility commissions, and is designed to ensure that these entities can cover their operating costs and earn just enough profit to incentivize future operations. However, the concept has been previously applied by the courts in the context of property ownership under rent control policies.[11, 12] HR&A Advisors similarly apply the concept of a "fair return" in their report, stating that "the formula for allowable rent increases must consider trends in rent, costs to operate rental housing, and property owners' ability to earn a fair return" (Appendix B, page 29).

RISK & UNCERTAINTY OMITTED

However, in their report, HR&A Advisors **do not consider interest rates or any relevant risk factors** in their concept of a fair return. A fair return on an investment would need to include estimations for the risk taken on by the investor, linked both to interest rates and to market-specific risks. As stated in Federal Power Commission v. Hope Natural Gas Company, determining prices that will provide a fair return "involves a balancing of the investor and the consumer interests."[1] One of these investor interests is a "return to the equity owner... commensurate with returns on investments in other enterprises having corresponding risks." HR&A Advisors fail to take risk into account in their estimation of a "fair return."

11 Kavanau v. Santa Monica Rent Control Board (1997)

12 H.N. & Frances C. Berger Foundation v. City of Escondido (2005)

ONGOING MAINTENANCE V. NEW INVESTMENT

Their concept of a fair return **critically overlooks the distinction between the rate of return necessary to encourage the ongoing maintenance of an existing building** versus that needed to encourage the development of a new building. The latter is necessary to provide incentives for new investment in the region and is distinctly higher than the return required to incentivize ongoing maintenance and improvements for existing units. A higher return is necessary to encourage new development in a region, as investment in new structures is inherently riskier. For example, it can take several years to obtain a construction permit, if one is ever issued at all. As stated in Southwestern Bell Telephone Company v. Public Service Commission of Missouri, the return for owners in price-regulated industries "should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital."[2] HR&A Advisors fail to account for the return necessary to attract new investment.

COST OF SERVICING DEBT OMITTED

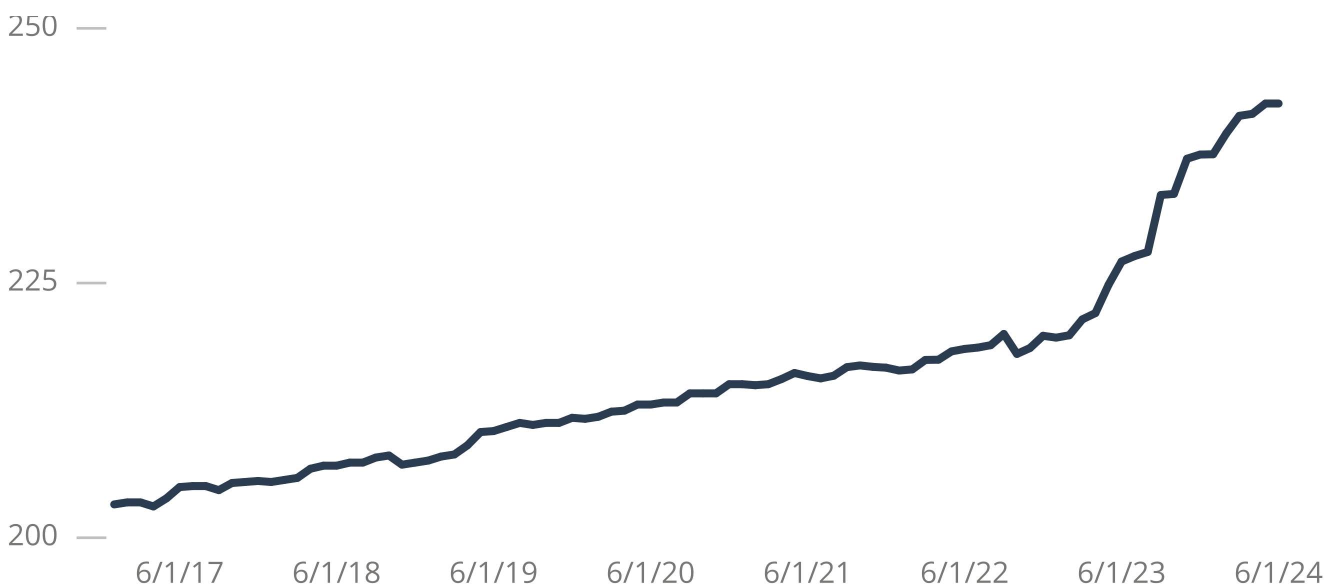
HR&A's calculation of a "fair return" **does not account for mortgage payments or other debt payments** property owners may need to make. Although it is standard to exclude the cost of servicing debt in calculating net operating income, it should be included in the calculation of a fair return. As opined in the U.S. Supreme Court case **Chicago & Grand Trunk Railway Co. v. Wellman**, when regulatory bodies set prices in the market, it is important that there be enough revenue not only for operating expenses, but also for the capital costs of the business, including payments on the debt.[3] HR&A have failed to take debt payments into account in their conception of a "fair return" on investment.

OUTDATED COST ESTIMATES

Their implicit assumption that property owners are currently earning a "fair return," apparent in their advocacy of capping rents at current rental prices, is a considerable stretch given that for the last few years rents have been capped (first, frozen for three years then subject to a reduced cap for 20 months, set to expire at the start of 2025) despite a sharp increase in expenses for landlords.

Owners' property expenses, which extend to 2022 in HR&A's report, are l**ikely underestimates and not reasonably representative of operating expenses today,** as homeowner insurance premiums have been rising sharply since 2023. Since the beginning of 2023 in particular, homeowner insurance costs have risen significantly, according to data from the U.S. Bureau of Labor Statistics. As can be seen in Figure 8 below, the producer price index (PPE) for homeowner's insurance premiums has significantly increased since the beginning of 2023. These recent increases are not accounted for in HR&A's calculations of net operating income.

Figure 8. Producer Price Index by Industry: Premiums for Homeowner's Insurance, 2017 to 2024



Source: U.S. Bureau of Labor Statistics, Producer Price Index by Industry: Premiums for Property and Casualty Insurance: Premiums for Homeowner's Insurance [PCU9241269241262], retrieved from FRED, Federal Reserve Bank of St. Louis. Analysis by Beacon Economics.

Various regulations and rule changes spell additional future costs for property owners in California, as acknowledged on page 35 (Appendix B) of the report. For example, the recently passed Balcony Inspection Law (California Senate Bill SB 721), which requires property owners to make repairs by 2025 to balconies deemed unsafe by an inspector, creates additional operating expenses – which are acknowledged on page 35 (Appendix B) of the HR&A report. Though acknowledged, these expected costs are not included in the calculation of net operating income for property owners (Appendix B, page 32). To claim that "Net Operating Income (Gross Potential Rent less vacancy, operating expenses, and other adjustments) is typically between $17-$21 per square foot, or 60% gross potential rent" **misrepresents the true net operating income experienced by property owners in the county**.

In Southwestern Bell Telephone Company v. Public Service Commission of Missouri, the U.S. Supreme Court underscored the importance of considering current costs of labor, materials, and other factors when setting rates, criticizing the Commission for relying on outdated cost calculations and failing to account for the increased costs faced by the utility.[2]

INAPPLICABLE COST DATA

As the introduction of the HR&A report lays out (Appendix B, page 7), there are limitations to the data sources used for extracting operating expenses (Appendix B, page 32). For one, Novogradac provides historic trends of **operating expenses for deed-restricted affordable properties in the Western region of the U.S., which includes many states outside of California** (AK, AZ, CO, HI, ID, MT, NM, NV, OR, UT, WA, and WY).

While the IREM and NAA provide historical data for properties in the Los Angeles-Long Beach Metro Area, this data **does not differentiate between incorporated and unincorporated areas**.

Moreover, in determining the trends in operating expense growth (per unit) for rent-controlled units, HR&A rely on a source[13] that provides data on low-income housing units. While low-income housing units sometimes overlap with rent-controlled units, they are not the same. Rent control affects rental increases and does not require tenants to be low-income, whereas low-income housing is a targeted assistance program based on income eligibility. **The operating expenses of low-income housing units are not necessarily the same, or growing at the same rate, as those of rent-controlled units**. HR&A's reliance on this data source (Appendix B, page 54) is inappropriate and calls their cost analysis into question.

GROWTH IN OPERATING COSTS V. CPI

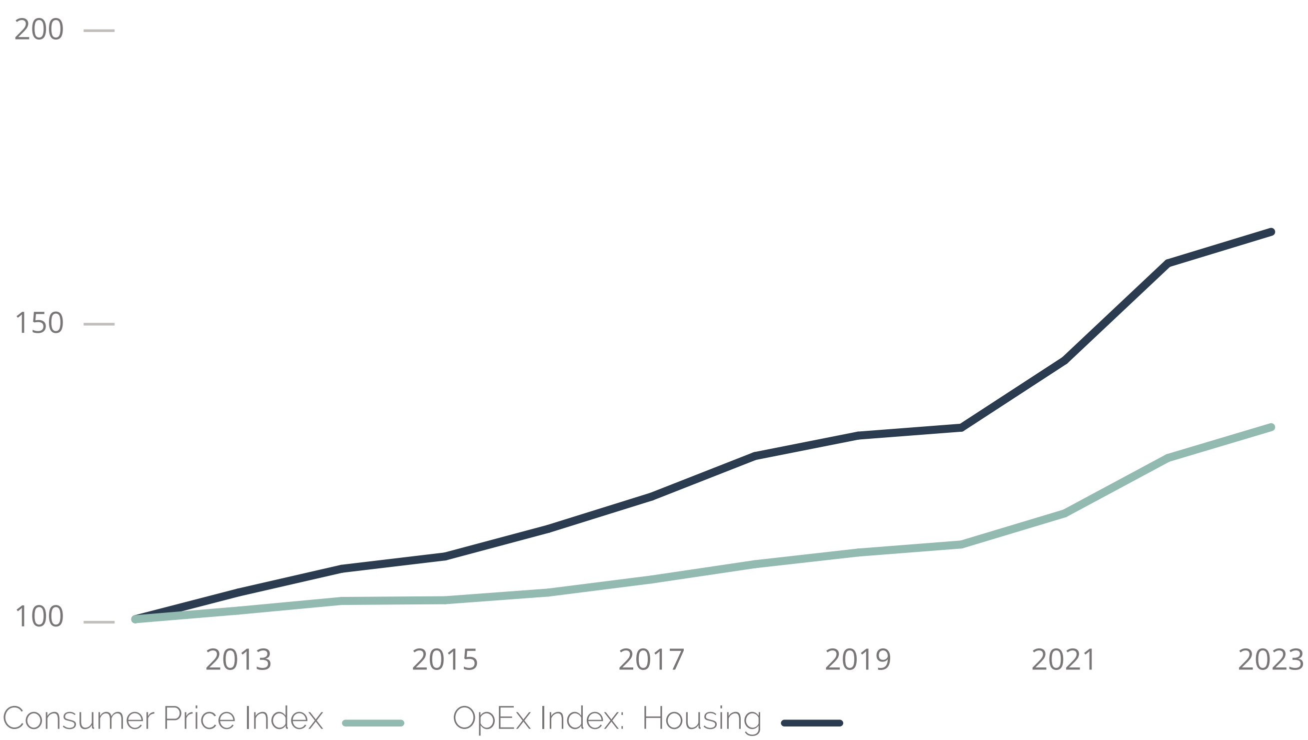
Most of the rent control options suggested in HR&A's report link rental price caps to changes in the CPI. For property owners to continue earning a "fair return," as HR&A assume they are earning, it would have to be the case that the costs of maintaining housing grow at the same pace as consumer prices. **Yet, the report does not offer any evidence to suggest that the growth rates of the costs of maintaining housing and consumer prices are comparable. In fact, their report shows the opposite to be true**. On page 42 of Appendix B, HR&A present a time-series chart of operating expenses and the CPI from 2015 to 2022. This chart shows that

13 Novogradac Low-Income Housing Tax Credit Income and Operating Expenses Report (2023)

operating expenses have increased by 20% more than consumer prices have over the last seven years – specifically, that operating expenses have increased by 47% while consumer prices have increased by 27% over the same period. HR&A clearly acknowledge that owners' expenses have been rising faster than consumer prices.

According to data from the Bureau of Economic Analysis (BEA), the cost of maintaining housing has increased by 10% more in the last five years than have consumer prices, and 40% more in the last twenty years. Specifically, the cost of maintaining housing has increased by 30% in the last five years, whereas consumer prices have risen by just 20%. Over the last twenty years, the cost of maintaining housing has risen by 105%, compared to 65% for consumer prices. Figure 9 and Figure 10 show the distinctly different growth rates of consumer prices and the costs of providing housing between 2015 and 2023.

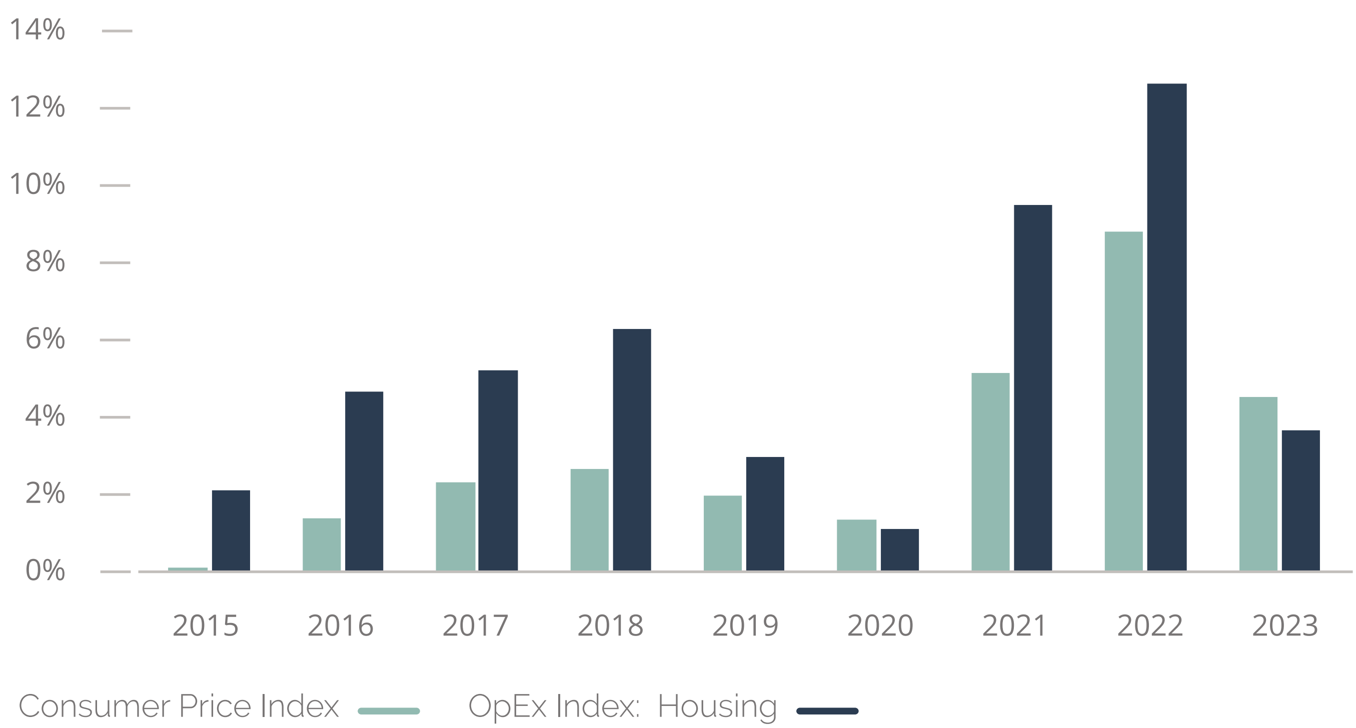
Figure 9. Chain-Type Price Indexes for Intermediate Inputs by Industry: Housing and Consumer Price Index, 2012 to 2023.



Source: Bureau of Economic Analysis; Bureau of Labor Statistics. Analysis by Beacon Economics.

HR&A's rent regulation options that base rental price increases on CPI inflation will continue to hurt property owners. The consequences will be even more severe for those options where rental increases are based on a percentage of the change in consumer prices, such as Options 3 and 4 presented in their report. Option 3 proposes a formula using 60-80% of CPI inflation, with a minimum of 2-3% and a maximum of 4-8% increase in annual rents. Option 4 is similarly based on a portion of CPI inflation; however, this option is more stringent than the already stringent Option 3, proposing a formula based on 60% of CPI inflation, no minimum rent increase, and a maximum rent increase of 3% per year. As their report acknowledges, this option will provide "the greatest protection to tenants" at the cost of harming property owners who "may require alternate protections... such as added pass-throughs or administrative streamlining for additional rent increases" (Executive Summary, page 2).

Figure 10. Annual Growth Rates of Chain-Type Price Indexes for Intermediate Inputs by Industry: Housing and Consumer Price Index, 2015 to 2023.



Source: Bureau of Economic Analysis; Bureau of Labor Statistics. Analysis by Beacon Economics.

A rent control formula that is based on the CPI will erode, and eventually erase, the rate of return on rental housing. At the same time, their report neglects to address the fact that renter incomes have grown faster than the CPI. Hence any application of these formulas will not only hurt landlords at an increasing pace but will excessively favor renters who will see their rents go up substantially slower than their incomes.

UNIFORMITY OF COST STRUCTURES

Furthermore, HR&A's simplistic model of gross profitability assumes uniform cost structures across the county. **Their model fails to account for wide variations across properties** in the county based on age, location, and size of structure, which all factor into the true costs faced by property owners. A universal approach will not level the playing field, but rather freeze it at its current unequal level. This approach will undoubtably have significant negative outcomes for a sizable segment of the market—and most likely for smaller investors for whom expenses tend to be a higher share of revenues.

Part III. Unintended Consequences of Rent Control

Unintended consequences refer to the effects of actions or policies that are not intended by those taking an action or setting a policy. These typically occur because of good intentions, but a poor understanding of economics, human motivation, and consumer behavior. Rent control policies provide a classic example of unintended consequences: governments have the intention of making housing more affordable by imposing such policies, but in doing so, they exacerbate existing housing issues. In its most direct form, rent control refers to a price ceiling or legal maximum price imposed on rental units in an economy. More commonly, we see the policy applied as a proportional price ceiling, where rental price increases are capped rather than the rental price itself being capped (referred to as rent stabilization). Together, rent control and rent stabilization policies are referred to as **rent regulation policies**.

As with most public policies, rent control is prone to unintended consequences, the most serious of which include loss of housing market liquidity and loss of housing supply. Rent control acts as a disincentive for renters to move out of rent-controlled units, even if their financial situations allow for it. This hampers renter mobility and creates illiquidity in the market. At the same time, rent control acts as a disincentive for landlords to maintain their rent-controlled units, both in maintaining the quality of these units and in continuing to offer them as residential rentals. Supply is hindered further by the loss of new housing supply, as rent control acts as a disincentive for entry into the market. Over time, the supply of rental units has been shown to decrease because of rent control policies. These negative effects are not analyzed in the report by HR&A, and the economy is seemingly treated as a static system rather than a dynamic one.

LOWER MOBILITY

Rent control policies stand in the way of tenant mobility, as research from as far back as 1946 confirms.[4,5] Tenants may feel tied to their rent-regulated unit and reluctant to move out, even if their income has risen, allowing them to move to a more desirable location. People may choose to stay in a rent-controlled unit even when it no longer suits their needs because other affordable options are scarce. A recent study reports that **rent control reduces renter mobility by 20%**.5 This can lead to inefficient use of housing, such as larger households in small apartments or individuals occupying family-sized homes.

HR&A's report reveals a preference for renter immobility, despite rising renter incomes. This preference is apparent in their rejection of a means test for tenants, which would prevent higher income tenants being subject to rent control policies. They argue that a means test could "lead to… potential displacement if tenant incomes rise" (Appendix B, page 52).

HOUSING SHORTAGE

In line with standard economic theory, studies find that when governments impose a binding price ceiling it creates a shortage in the rental housing market.[6] There are several reasons for this. First, rent regulation policies are price ceilings, and as they are set below prevailing market prices, they cause the demand for apartments to exceed supply, thus creating a housing shortage by definition. Second, landlords might be less incentivized to offer properties for rent if they cannot achieve market rates. In some cases, landlords might convert rental buildings into condominiums, which are often not subject to rent control. This reduces the rental stock and shifts properties toward potentially higher-income buyers rather than renters. Third, developers might be deterred from building new rental properties in areas with stringent rent controls, preferring to invest in markets with potentially higher returns. A recent study reports that **rent control reduces rental housing supply by 15% over the long run**, as units are converted to condominiums or tenancy-in-common units, sold to owner-occupants, or redeveloped.[7]

LOWER QUALITY

Besides creating a new housing shortage or worsening an existing one, caps on potential rental income may leave landlords without sufficient funds or motivation to maintain and reinvest in their rental units. This can lead to a deterioration in the quality of housing, as there is less financial incentive to invest in upkeep and renovations. Compared to non-controlled units, older and smaller **rent-controlled buildings have a 9% higher probability of being in unsound condition**.[8]

HIGHER PRICES

Perhaps the most counterintuitive of the unintended consequences of rent control is related to prices. Although the goal of rent regulation is to make housing more affordable, **it has been shown to achieve the opposite**. This could be due to displaced demand following the imposing of rent control. As people find it hard to secure rent-controlled units, they compete for fewer available non-controlled rentals and drive up prices.

Studies from as early as 1984 confirm this theory.[9,10] As one such study concludes:

> *"While rent control prevents displacement of incumbent renters in the short run, the lost rental housing supply likely drove up market rents in the long run, ultimately undermining the goals of the law."* [5]

MISALLOCATION

Ironically, rent control can lead to displacement and accelerate gentrification. Landlords in rent-controlled areas may seek to attract higher-income tenants as they pose less financial risk, potentially displacing lower-income tenants. Furthermore, the limited supply of rent-controlled units may push up demand and prices in non-controlled areas (as mentioned above), leading to displacement of existing residents.

Rent control generates efficiency loss due to this misallocation of rental units.2 Essentially, if those willing to pay the highest rents occupy rent-controlled units, the efficiency loss would be less than if a mix of households occupied these units. In reality, the lucky tenants that end up in rent-controlled units are usually just that – lucky. This misallocation of units creates an additional layer of economic inefficiency in the market.

ADMINISTRATIVE AND LEGAL COSTS

Enforcing rent control laws requires sound administrative oversight, which can be costly and complex. Moreover, disputes between landlords and tenants over rent control regulations can lead to increased litigation, straining the legal system and judicial resources. In California alone, there have been over 50 court cases concerning rent control disputes, involving apartment associations, property owners, rent control boards, cities, and counties.[14]

INEFFICIENCY

All of this generates inefficiency in the economy. There are mutually beneficial transactions that would have occurred – for instance, there are those that would like to rent an apartment and there are property owners that would like to rent out their units – were it not for rent regulation policies that disincentivize owners from supplying more rental units.

14 www.lawpipe.com

Conclusion

Established economic theory and years of academic research tell us that rent regulation policies create more problems than they solve – renter mobility declines, housing shortages are created or worsened, rental units become dilapidated over time, rents rise overall, and economic efficiency declines in part due to misallocation of resources.

> *The recent HR&A study offers a simplistic estimation of property owners' operating expenses that fails to take real cost differences (in property size, age, condition, etc.) into account.*

The recent HR&A study offers a simplistic estimation of property owners' operating expenses that fails to take real cost differences (in property size, age, condition, etc.) into account. The concept of a "fair return" on investment is applied. However, their conception of this metric has several issues, including an omission of the cost of risk and of servicing debt. Although their report acknowledges the fact that operating expenses have been growing faster than consumer prices (see Figure 9 and Figure 10), they propose rent control alternatives that are based either fully (100% of CPI, as in Options 1 and 2, Appendix B, page 58) or partially (60-80% of CPI in Option 3, 60% of CPI in Option 4) on CPI inflation rates. While rent regulation formulas that are based fully on CPI inflation (the current formula included) harm property owners, those based partially on CPI inflation – such as Option 3 and Option 4 – will pose more significant harms for property owners. Some expected increases in future costs (see Figure 8) for property owners are acknowledged but are not considered in the calculation of operating expenses, rendering their cost estimations an underestimate of owners' true operating expenses.

Their study is based on the claim that rising rents in LA County are contributing to housing insecurity, defined as housing costs exceeding 30% of a household's income, and that since 2017, rental prices have been growing faster than renter incomes. Our report shows first that renter income growth has outpaced rent growth, and second, we present evidence on relevant metrics of LA County renter burden based on U.S. Census data. This shows that renter burden in unincorporated LA has been on a downtrend for nearly a decade (see Figure 2).

> *Our report shows ... that renter income growth has outpaced rent growth.*

We analyze data on renter tenure, by income levels from 2017 to 2022, and find that the number of rental units occupied by people earning less than $75,000 per year has decreased over this period, but the number of rental units occupied by people earning more than $75,000 per year has substantially increased (see Figure 3). Analyzing data on post-rent gross income for LA County renters over the same period, we find that median post-rent gross income has increased, which means that in real terms the typical renter in the county is faring financially better over time (see Figure 4).

Data on housing supply and population growth rates over the last several decades reveal a significant discrepancy (see Figure 5 and Figure 6). Los Angeles County has nearly half as many housing units built after 1980 as it has units built in the four decades before 1980. With reduced residential construction, it is not surprising that the housing and rental markets have been experiencing upward price pressure in recent years. Low housing supply coupled with higher demand caused by higher renter incomes and populations leads inevitably to higher rents; it is a simple interaction of supply and demand. Incentives for increased residential construction in LA County would be a recommended policy route.

A comparison of median gross rent, CPI inflation, and RSTPO allowable rent increases shows that RSTPO properties would have experienced a lower rate of rent increases with RSTPO as compared to market rents in 2021 and 2022. This directly contradicts the claim by HR&A Advisors that the temporary rent freezes imposed in those years prevented RSTPO units from experiencing higher rates of rent growth than those seen in the rest of LA County (see Figure 7a).

> *Rather than implementing broad measures like rent control, efforts to assist lower-income households should prioritize direct approaches.*

The assessment by Beacon Economics suggests that the costs of rent control policies generally outweigh the benefits. The current RSTPO may offer a balance between the interests of landlords and tenants and has yet to be applied in the market due to rent freezes. However, even this plan is materially flawed and can be predicted to cause substantial profitability issues for owners in the Los Angeles rental market over the next few years. Rather than implementing broad measures like rent control, efforts to assist lower-income households should prioritize direct approaches such as earned income housing credits, increasing the supply of market-rate units to lower asking rents for vacant units, and continuing to expand affordable housing options with specific income eligibility requirements.

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California Apartment Association
Los Angeles County

November 1st, 2024

Board of Supervisors
County of Los Angeles
500 W. Temple Street
Los Angeles, CA 90012

Re: Item 35 & 65 - OPPOSE Annual Rent Adjustment Change

Dear Board of Supervisors,

On behalf of the California Apartment Association, we strongly oppose the proposed annual rent adjustment cap within the Los Angeles County Rent Control Ordinance. This provision, which limits annual rent increases to a maximum of 3%, is disconnected from the actual economic realities that housing providers face and imposes unsustainable financial pressures on property owners. Accompanying this letter is a Beacon Economics report that analyzes the HR&A report used in the county's decision-making process**. Even the HR&A report acknowledges that a 3% cap "*creates a higher mismatch between changes in operating costs and rents*" and "*poses a risk to property owners*" (HR&A, p. 3). Further, the Beacon report identifies significant flaws in HR&A's analysis.** We urge the Board to reconsider this formula as it will make housing more expensive and harder to find.

The primary issue with creating any hard cap is the disconnect between an arbitrary number and the specific costs of managing and maintaining rental properties. Setting a fixed 3% cap, particularly without accounting for actual maintenance and operating expenses, will create an unsustainable environment for housing providers. From 2015 to 2022, property maintenance costs rose approximately 47%, outpacing the Consumer Price Index (CPI), which increased by 27% (Beacon, p. 36). This price control threatens to force housing providers to defer essential repairs, ultimately reducing the quality and availability of rental housing. The HR&A model fails to consider variations in property costs, such as differences based on age, location, and structure type, which are crucial in evaluating the financial impact on owners.

The proposed formula creates economic inefficiencies that threaten to shrink the rental housing supply, a concern widely documented in similar regulatory environments. When property owners cannot keep up with rising costs, they may be forced to exit the market by selling or converting rental units, a pattern evident in other jurisdictions with restrictive rent control. The Beacon report notes that rent control policies will reduce rental housing supply by up to 15% over the long term as providers are increasingly discouraged from entering or remaining in the rental market (Beacon Report, pp. 39-40). In places like Santa Monica, 45% of properties withdrawn from the rental market are converted into condominiums or single-family homes. These policies create less housing and lead to upward pressure on entry costs, creating higher overall housing costs for renters.

HR&A's definition of a "fair return" excludes key financial obligations, such as mortgage and debt payments, ignoring significant expenses that affect property owners. Additionally, expenses like rising homeowner insurance premiums since 2023 are not reflected in HR&A's formula (Beacon, p. 10), further limiting the economic viability for providers. Their implicit assumption that property owners are currently earning at least a “fair return,” is a large stretch given that for the last few years, rent increases have been capped or prohibited despite a sharp increase in expenses for operators.

Notably, the HR&A report overlooks recent increases in renter incomes. According to Beacon, median renter income in Los Angeles County increased by 43% from 2017 to 2022, outpacing the 37% rise in median rents (Beacon, p. 22). Rent control is not a mechanism to provide affordable housing, as it is not based upon a renter's income, ability to pay nor produces a single new home.

We urge the Board to adopt a more balanced approach that addresses housing providers' need for operational flexibility while promoting affordability goals. Expanding housing supply and providing direct renter assistance are more effective strategies to meet these objectives (Beacon, p. 45). The proposed policy change will make housing more expensive and harder to find.

Thank you for your attention to this critical issue. We urge you to review the Beacon report in depth and oppose this rent adjustment change.

Sincerely,

Fred Sutton
California Apartment Association

California Apartment Association
Los Angeles County

November 1st, 2024

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Los Angeles, CA 90012

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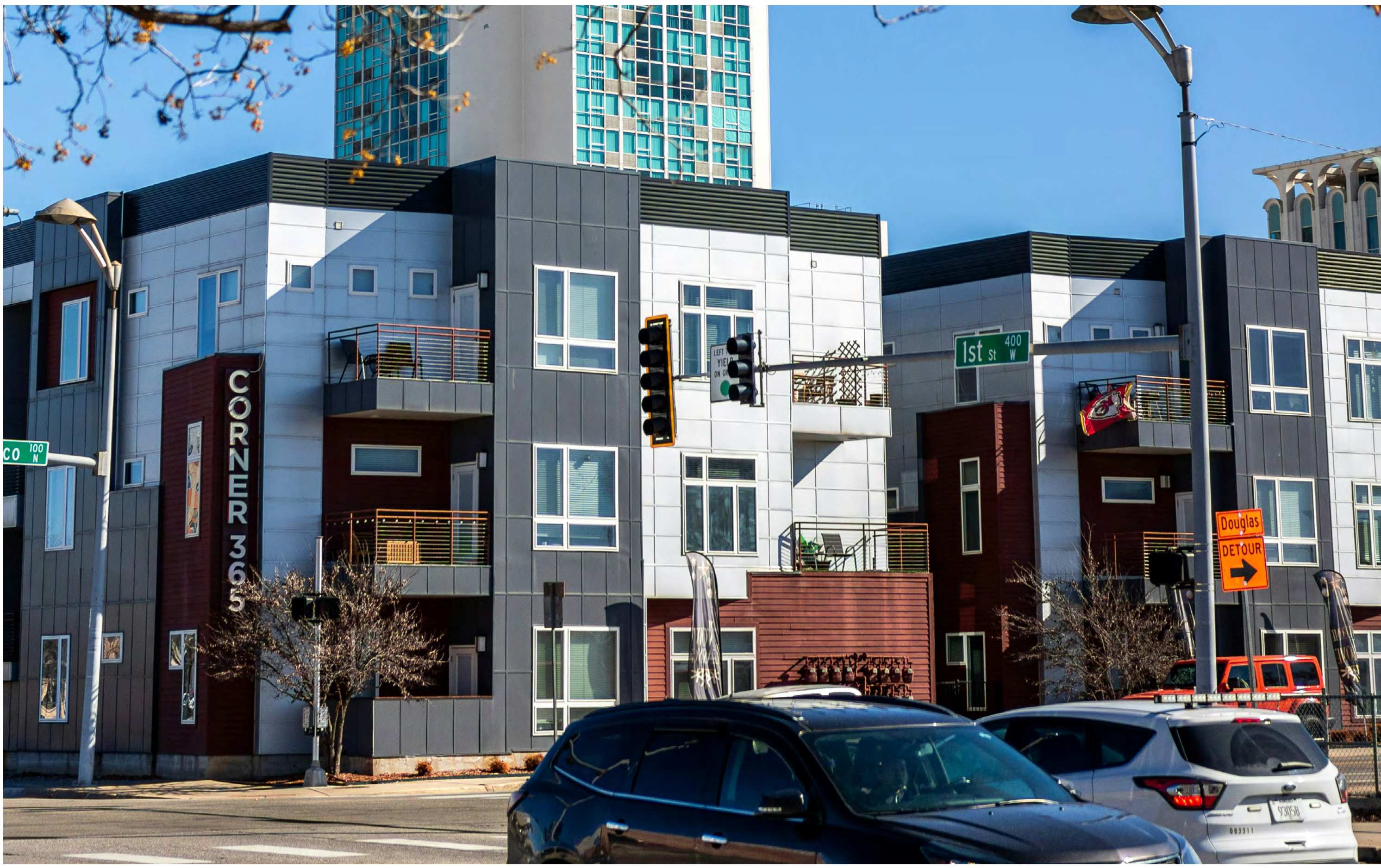
Fred Sutton
California Apartment Association

Rebuttal to HR&A Report on RSTPO and Rent Regulation Policy Analysis

August 2024



BEACON ECONOMICS

This analysis was developed with support from the California Apartment Association.

ABOUT BEACON ECONOMICS

Founded in 2006, Beacon Economics, an LLC and certified Small Business Enterprise with the state of California, is an independent research and consulting firm dedicated to delivering accurate, insightful, and objectively based economic analysis. Employing unique proprietary models, vast databases, and sophisticated data processing, the company's specialized practice areas include sustainable growth and development, real estate market analysis, economic forecasting, industry analysis, economic policy analysis, and economic impact studies. Beacon Economics equips its clients with the data and analysis they need to understand the significance of on-the-ground realities and to make informed business and policy decisions.

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BEACON ECONOMICS

Executive Summary

This report provides a rebuttal to the recent report published by HR&A Advisors on the Rent Stabilization and Tenant Protections Ordinance (RSTPO) of Los Angeles County. HR&A were commissioned by the county to lay out the supposed costs and benefits of various ways of instituting rent control within the unincorporated parts of Los Angeles County. HR&A argue that logical ways exist to minimize the negative consequences of rent control, making it an effective public policy to counter the current housing "emergency." While the HR&A report does not explicitly endorse rent control, it suggests the policy can be implemented in such a way as to protect renters and provide landlords with a "fair return."

> *[The HR&A] report is inherently built on the assumption that property owners are currently earning significantly more than a "fair return" on their rentals.*

Their report is inherently built on the assumption that property owners are currently earning **significantly** more than a "fair return" on their rentals, as the five new rent control formulas HR&A propose are exceedingly stringent with lower protections for property owners. However, due to COVID moratoriums on rent increases and subsequent reduced caps on rental increases, the current rent control formula (Option 1 or RSTPO) has yet to be tested.

Additionally, due to a combination of the recent tenant relief measures and rising insurance, property tax, and utility costs, property owners have experienced disproportionately negative impacts. Instead of adopting a more severe rent control policy, it would be more reasonable to maintain the current RSTPO, even though this formula too is flawed: any formula based on the CPI fully or partially will disproportionately harm property owners as the costs of providing housing have risen faster than have consumer prices in 7 of the 9 most recent years.

To prevent exacerbating the issue, it is important to steer clear of broad, sweeping measures like rent control. Instead, efforts to help lower income households should focus on:

1. Direct methods of assistance such as earned income housing credits.

2. Expanding the supply of market rate units to push down asking rents for existing vacant units.

3. Continuing the work on expanding affordable housing units that have distinct income limits for occupancy.

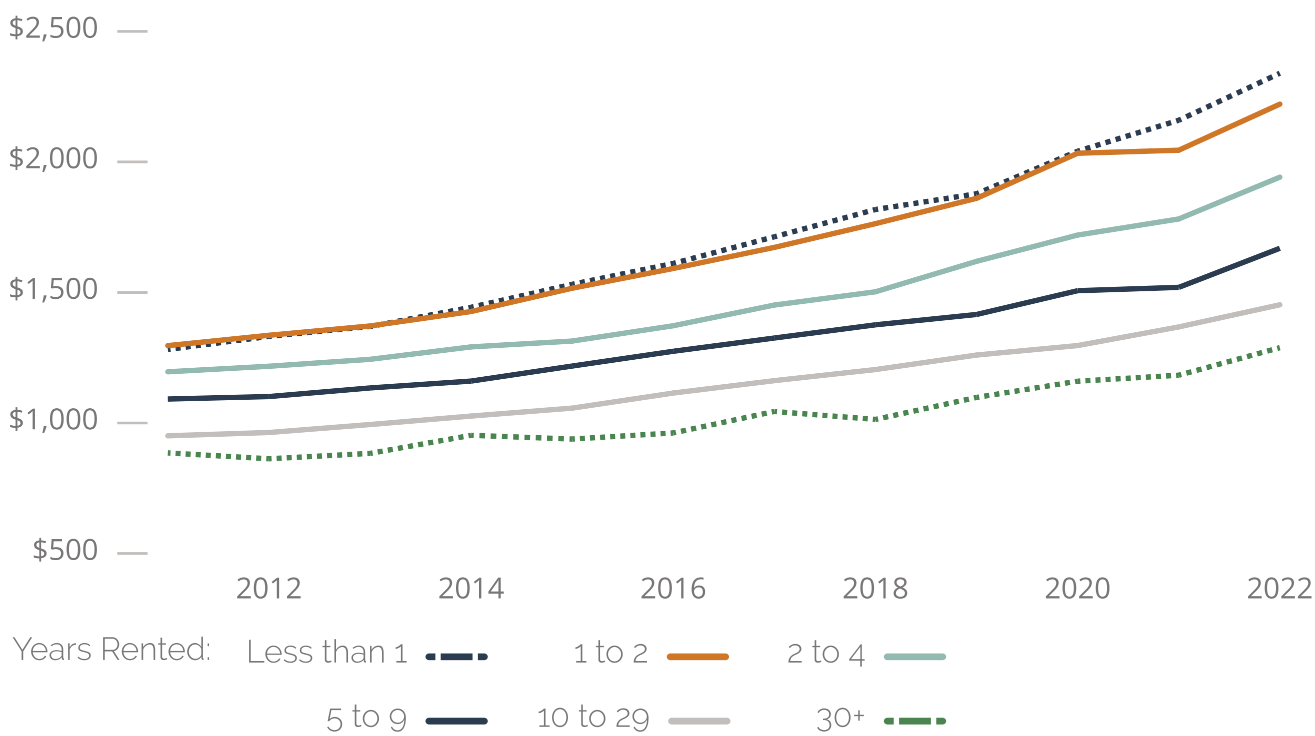
Introduction and Overview

> *Rent increases for existing tenants are generally much smaller than the spikes in asking rents for vacant units.*

A significant misconception among proponents of expanded rent control is the belief that the primary challenge for low-income renters is the annual rent increase in their current units. However, both current and past research conducted by Beacon Economics indicates that rent increases for existing tenants are generally much smaller than the spikes in asking rents for vacant units (see Figure 1 below). In fact, the length of time a tenant stays in a unit offers more protection against rising rental costs than rent control does. The more pressing issue for tenants arises when they need to move—whether due to personal circumstances such as changes in family, employment, health, or the availability of units. Given the low vacancy rates and high asking rents in Los Angeles, lower-income tenants face significant challenges in finding new housing, often resulting in a sharp increase in their rent-to-income ratio. This issue also contributes to the housing struggles faced by college students in the region, who frequently encounter a shortage of affordable housing options while pursuing their studies.

The rent control options outlined in the HR&A report would disproportionately benefit higher-income households, including many who have recently moved into their units. Meanwhile, they would offer only a modest increase in protection against rent hikes for lower-income households and would exacerbate the difficulties lower-income households face when trying to relocate within the region. By further restricting the already limited new housing supply and increasing biases against low-income renters, these measures could accelerate the pace of gentrification within the region's constrained housing market. This is not to suggest that vacancy decontrol should be eliminated, as doing so would likely worsen gentrification, directing the few available units directly to higher-income households.

Figure 1. Actual Rents in California, by Rent Duration



Source: U.S. Census American Community Survey. Analysis by Beacon Economics.

In addition to this underlying misconception, we find the HR&A report to be materially flawed in numerous ways, which calls into question all its conclusions. Specifically:

1. **Rent control is an extreme regulatory measure that is known to have long-run consequences.** As such, rent control and rent stabilization policies should only be considered in the event of an extreme situation, such as after a pandemic or after a sizable amount of housing stock has been lost to a natural disaster. Yet HR&A's overview largely mischaracterizes the current state of the rental market in unincorporated Los Angeles County, depicting an extreme situation that does not align with reality. Their claim is that rents have grown faster in recent years than LA County renters' incomes. This is a common narrative, but as our analysis demonstrates, it does not hold true when examined against the data. Many of the data points used in the HR&A report to support their narrative are factually incorrect, casting doubt on all conclusions drawn.

> *As our analysis demonstrates, [the claim that rents have grown faster in recent years than LA county renters' income] does not hold true when examined against the data. Many of the data points used in the HR&A report to support their narrative are factually incorrect, casting doubt on all conclusions drawn.*

Some examples of the flaws in their report include:

a. **An apples-to-oranges comparison of the growth rate of** real **renter income with the growth rate of** nominal **rental prices in Los Angeles between 2017 and 2022**. Nominal renter income growth outpaced nominal rental price growth over this period. We find that while median gross rent in Los Angeles County has indeed grown by nearly 37%, median renter income in LA County has increased by over 43%.

b. **Incorrectly using the fall in rents in 2020 to calculate the growth in market rents in 2021, failing to account for the fact that the year 2020 was an outlier**. While their report shows that rents saw a sharp rise of 11.5% in 2021, this growth rate is calculated on the drop in rents in 2020. When the preceding year is correctly treated as an outlier, we find that rents in 2021 were in fact lower than they would have been had they continued to grow at their historic pace of 4.3% between 2019 and 2021.

c. **Suggesting that the number of cost-burdened renter households is increasing in unincorporated Los Angeles County over time, while the data shows the opposite to be true.** According to data from the U.S. Census, the share of burdened renter households in unincorporated Los Angeles County fell by 3% in the decade between 2012 and 2022.

d. **Applying the RSTPO formula incorrectly in an attempt to demonstrate a time** series of allowable rent increases. The formula employed by HR&A uses each year's CPI to determine the "RSTPO allowable rent increase" for that year, while the RSTPO formula, as explained in Chapter 8.52.050 of the Los Angeles County website, is based on the "percentage change in the average CPI over the previous twelve (12) month period ending in September."

2. HR&A's guideline for rent control policy presumes to allow for a "fair return" for property owners. This return is purportedly allowed through a limit on rental price growth approximately matching the growth in property owners' maintenance costs of operating a multi-family unit. There are **multiple problems with this simplistic view of a "fair return"** including:

> *HR&A Advisors fail to take risk into account in their estimation of a "fair return," in direct opposition to the U.S. Supreme Court's opinion.*

a. **Their assessment of a "fair return" stands in stark contrast to how financial markets operate.** A fair return on an investment would need to include estimations for the risk taken on by the investor, linked both to interest rates and to market-specific risks. As stated in Federal Power Commission v. Hope Natural Gas Company, determining prices that will provide a fair return "involves a balancing of the investor and the consumer interests."[1] One of these investor interests is a "return to the equity owner… commensurate with returns on investments in other enterprises having corresponding risks." HR&A Advisors fail to take risk into account in their estimation of a "fair return," in direct opposition to the U.S. Supreme Court's opinion.

b. **Their concept of a "fair return" critically overlooks the distinction between the rate of return necessary to encourage the ongoing maintenance of an existing building, versus that needed to encourage the development of a new building**. The latter is necessary to provide incentives for new investment in the region and is distinctly higher than the return required to incentivize ongoing maintenance and improvements for existing units. A higher return is necessary to encourage new development in a region, as investment in new structures is inherently riskier. For example, it can take several years to obtain a construction permit, if one is ever

1 FPC v. Hope Nat. Gas Co., 320 U.S. 591 (1944).

issued at all. As stated in Southwestern Bell Telephone Company v. Public Service Commission of Missouri, the return for owners in price-regulated industries "should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital."[2] HR&A Advisors fail to account for the return necessary to attract new investment, in direct opposition to the Supreme Court's opinion.

c. HR&A's **calculation of a "fair return" does not account for mortgage payments or other debt payments property owners may need to make**. While it is standard practice to exclude the cost of servicing debt when calculating net operating income, a fair return should encompass debt expenditures. As opined in the Supreme Court case **Chicago & Grand Trunk Railway Co. v. Wellman**, when regulatory bodies set prices in the market, it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business, including payments on debt.[3] HR&A fail to include debt payments in their conception of a "fair return" on owners' real estate investments.

d. Their implicit assumption that property owners are currently earning at least a "fair return," apparent in their advocacy of capping rents at current rates, is a large stretch given that for the last few years, rents have been capped despite a sharp increase in expenses for landlords. For example, since the beginning of 2023, homeowner insurance premiums have experienced a significant rise according to data from the U.S. Bureau of Labor Statistics. This recent cost increase, among others, is not accounted for in HR&A's calculations of net operating income. In Southwestern Bell Telephone Company v. Public Service Commission of Missouri, the U.S. Supreme Court emphasized the importance of considering current costs of labor, materials, and other factors when setting rates, criticizing the Commission for relying on outdated cost calculations and failing to account for the increased costs faced by the company.[2]

2 Southwestern Bell Tel. Co. v. Public Svc. Comm'n, 262 U.S. 276 (1923).

3 Chicago c. Railway Co. v. Wellman, 143 U.S. 339 (1892).

e. **Most of the rent control options suggested in HR&A's report link rental price caps to changes in the Consumer Price Index (CPI)**. For property owners to continue earning a "fair return," as HR&A assume they are earning, the costs of maintaining housing would have to grow at the same pace as consumer prices. Yet the report does not offer any evidence to suggest that these growth rates are comparable. In fact, their report shows the opposite. According to data from the Bureau of Economic Analysis (BEA), the cost of maintaining housing has increased by 10% more in the last five years than consumer prices, and 40% more in the last twenty years. A rent control formula based on the CPI will erode, and eventually erase, the rate of return on rental housing. At the same time, their report neglects to address the fact that renter incomes have grown faster than the CPI. Hence, any application of these formulas will not only hurt landlords at an accelerating pace, but will also excessively favor renters, who will see their rents rise far slower than their incomes.

> *Any application of these formulas will not only hurt landlords at an accelerating pace, but will also excessively favor renters, who will see their rents rise far slower than their incomes.*

The consequences will be even more severe for those formulas where rental increases are based on a percentage of the change in the CPI, such as Option 4 of HR&A's report. This option proposes a formula based on 60% of CPI inflation, no minimum rent increase, and a maximum rent increase of 3% per year. As their report acknowledges, this option will provide "the greatest protection to tenants" at the cost of harming property owners (Executive Summary, page 2).

f. HR&A's **calculations miss the broad difference in the distribution of rents paid in the rental market, as well as the difference in the cost of maintaining buildings of differing size, age, and condition**. A universal approach will not level the playing field, but rather freeze it at its current unequal level. This approach will undoubtably have significant negative outcomes for a large segment of the market – and most likely for smaller investors for whom expenses tend to be a higher share of revenues.

3. Their models **fail to account for the long-term consequences of rent control**, including:

   a. **The loss of renter mobility and liquidity in the market**. Due to rent control policies, tenants are often reluctant to move out of and give up their affordable units, even if their financial situation has changed. The HR&A report reveals a preference for renter immobility, despite positive income changes for renters.

> *The HR&A report reveals a preference for renter immobility, despite positive income changes for renters.*

   b. **Reduced supply of rental housing.** Over time, landlords convert rental units into condominiums and developers are deterred from entering markets where stringent rent control policies apply.

   c. **Deterioration of rent controlled units over time**. As owners of rent-controlled properties are prevented from achieving sufficient profits, and there is a lack of financial incentive to invest in improvements, over time the quality of units subject to rent control deteriorates.

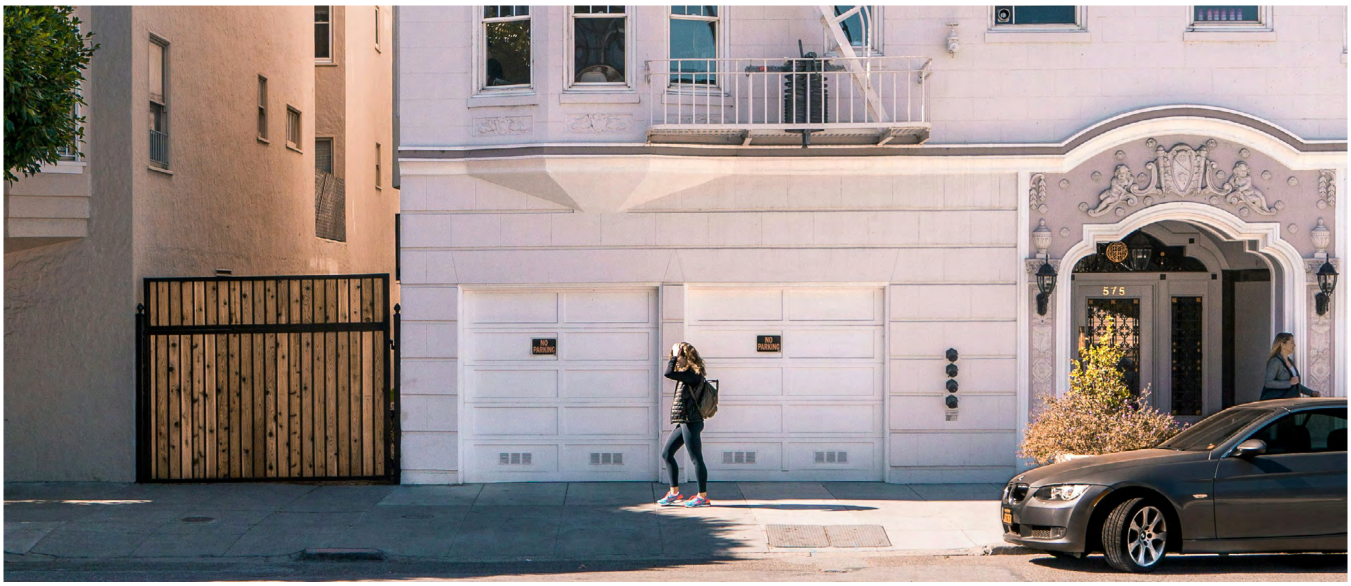
   d. **Increased rents on non-controlled units.** With a reduced supply of rental housing, and increased demand for rental housing driven by lower-than-market rents offered on rent-controlled units, rents on non-controlled units are driven up.

   e. **Misallocation and the spillover effect into the higher end of the rental market, where intervention is not needed.** Rent-controlled units are often misallocated in the market and tenants with differing means and willingness to pay end up occupying these units. This includes tenants of higher income (such as those occupying luxury units) who are not in need of rent control protections.

In line with economic theory and previous academic research, our assessment suggests that rent control policies are often controversial and have unintended consequences despite their goal of making housing more affordable. Though the costs of rent control policies generally outweigh the benefits, this extreme measure can be warranted in extreme economic situations. We are not currently in such a situation, despite HR&A Advisors' characterization of the current state of the rental market in unincorporated LA County.

Of the six different rent control options presented in the HR&A report, the current RSTPO policy is preferred as it may offer a balance between the interests of landlords and tenants and has yet to be applied in the market due to rent freezes. However, even this plan is materially flawed and can be predicted to lead to substantial profitability issues for owners in the Los Angeles rental market over the next few years.

Overview of Current Rent Control Policies



CALIFORNIA

The concept of rent control began to take shape in California in the 1970s, spurred by rising housing costs and the inflationary environment of the decade. Several California cities implemented local rent control ordinances in the 1970s and 1980s, initially intending them to be temporary measures: Beverly Hills (1978), Los Angeles (1978), Hayward (1979), San Jose (1979), San Francisco (1979), Santa Monica (1979), Berkeley (1980), East Palo Alto (1986), and West Hollywood (1985). With different local governments ordaining different levels of regulation, navigating the rental market in California grew increasingly difficult for landlords and tenants alike.

"Once [rent] controls have been imposed they are difficult to remove... Rent control in almost every instance had been adopted as an avowedly temporary measure, under laws of short duration, but in few cases did the legislators find it possible to dispense with controls as early as had been hoped." [1]

In 1995, the **Costa-Hawkins Rental Housing Act** passed in California, providing much-needed clarity and consistency for landlords and tenants across the state. Beyond mere standardization, Costa-Hawkins offered a balance between the interests of landlords and tenants through an exemption of properties constructed after February 1, 1995, an exemption of single-family homes and condominiums, and an allowance for vacancy decontrol.

Yet, the implementation of Costa-Hawkins has been the subject of intense debate and was a focal point of **Proposition 10**, which sought to repeal parts of the act. In a 2018 report by UC Berkeley's Fisher Center for Real Estate and Urban Economics, Rosen reflects on this balance in stating that Costa-Hawkins has "continued to allow local jurisdictions to adopt rent control, but established a pragmatic framework to prevent excessively restrictive forms of rent control."[4] The report further states:

> *Beyond the negative supply-side effects of rent control, if Costa-Hawkins is repealed and cities adopt stricter forms of rent control, declines in rental income would result in numerous unintended consequences, including:*
>
> *1) a significant drop in apartment property values;*
> *2) deferred maintenance on existing properties and a deterioration in housing quality;*
> *3) lost revenue that will squeeze thousands of small, mom-and-pop businesses; and*
> *4) a decline in state and local tax.*

The proposition was ultimately defeated in a statewide vote in November 2018. However, less than a year later, in response to widespread pressure from various stakeholders and advocacy groups, the California State Legislature passed the **Tenant Protection Act of 2019 (AB 1482).** Governor Gavin Newsom signed the bill into law on October 8, 2019, and AB 1482 went into effect on January 1, 2020, introducing statewide rent control and tenant protections. Though not a repeal of Costa-Hawkins, this law limits annual rent increases to 5% plus the local rate of inflation (not to exceed 10% of the rent) and includes "just cause" eviction protections for tenants who have lived in a property for 12 months or more.

4 Rosen, K. T. (2018). The Case for Preserving Costa-Hawkins: How Rent Control Reduces Property Values, Hurts Small Businesses and Limits State and Local Tax Revenue.

Governor Newsom's endorsement and political influence were crucial in pushing the AB 1482 bill through the legislature. The governor's support of the bill was part of his broader agenda to address housing affordability and homelessness in California. While the state faces rising homelessness, empirical findings on the effects of rent control on homelessness are mixed. A recent literature review on the effects of rent control policies finds that, according to some empirical studies, rent control has a positive impact on homelessness. Other empirical studies conclude it has a negative effect, while still others find no causal link between rent control and homelessness.[2]

> *While the state faces rising homelessness, empirical findings on the effects of rent control on homelessness are mixed.*

Just one month after AB 1482 was passed, on November 19, 2019, the Los Angeles County **Rent Stabilization and Tenant Protections Ordinance (RSTPO)** was approved by the Los Angeles County Board of Supervisors. The ordinance was designed to regulate rental properties (built on or before February 1, 1995, excluding single-family homes and condominiums) in the unincorporated areas of LA County, by providing rent stabilization and tenant protection measures. The RSTPO went into effect on April 1, 2020, and originally limited rent increases based on the CPI. Shortly thereafter, in response to the COVID-19 pandemic, the county instituted a freeze on rent increases until March 2023. In April 2023, LA County authorized a 3% rent increase cap, followed by a 4% rent increase cap in January 2024 that is set to expire at the end of 2024.

Another proposition was introduced to repeal parts of Costa-Hawkins one year after the RSTPO was passed. **Proposition 21** was a ballot initiative during the November 2020 election that sought to expand the scope of rent control policies. Specifically, the initiative proposed an expansion of rent control measures to apply to single-family homes and condominiums (provided the owner owns more than two such properties), an extension of rent control policies to apply to properties built between 15 and 25 years ago, as well as an allowance of limitations to vacancy decontrol. However, like Proposition 10, the ballot measure was defeated in a statewide vote.

NEW YORK

Rent control has been equally prominent presence in New York, beginning at around the same time as in California. Rent stabilization policies allowing for automatic annual rent increases tied to inflation were adopted in New York City in 1969 under the **Rent Stabilization Law of 1969** to cover apartments built between 1947 and 1969. New York Governor Nelson A. Rockefeller signed vacancy decontrol into law in 1971, but that was soon replaced with the **Emergency Tenant Protection Act (ETPA)**, which specified that when rent controlled units become vacant in the city, they convert into rent stabilized units.

The ETPA expired and was renewed several times after 1974, its most recent expiration being in 2019. In that period, the **Rent Regulation Reform Act of 1993** was passed, introducing vacancy decontrol, high-income deregulation, and major capital improvement increases. In June 2019, New York's rent regulation laws were drastically changed with the introduction of the **Housing Stability and Tenant Protection Act (HSTPA)**. The HSTPA significantly increased tenant protections for people living in rent stabilized units, leading to significant negative effects.

The issues caused by the HSTPA in New York – particularly the disproportionate impacts on owners with small portfolios (those with less than 11 units) – are openly acknowledged in a **recent report** by HR&A. Their report shows that high vacancy rates, which are disproportionately affecting owners with small portfolios, are significantly higher for moderately (26-75% of units) and primarily (76-100% of units) rent-stabilized buildings than for partially (0-25% of units) rent-stabilized buildings. Namely, owners with small portfolios are facing 18% vacancy rates for moderately rent-stabilized buildings and 25% vacancy rates for primarily rent-stabilized buildings.

Moreover, HR&A's report shows that over one third of units in small portfolios that are moderately rent-stabilized, and nearly all the units in small portfolios that are primarily rent-stabilized, need major capital investments. This is not surprising given that the HSTPA limits the amount landlords can increase rents to recover costs for building-wide improvements and makes it more difficult to pass these costs on to tenants.[5]

5 https://nyassembly.gov/leg/?default_fld=&leg_video=&bn=A08281&term=2019&Text=Y

> *The HSTPA exacerbates the misallocation problem that exists due to rent control policies. As studied, both empirically and theoretically... rent control policies lead to misallocation in the rental market.*

In addition to the issues of high vacancy rates and units in need of major capital investments, both disproportionally affecting owners with small portfolios, the HSTPA exacerbates the misallocation problem that exists due to rent control polices. As studied, both theoretically and empirically using the American Housing Survey and New York City Housing and Vacancy Survey, rent control policies lead to misallocation in the rental market.[3]

The study estimates the costs of rent control in New York City due to the misallocation of rental apartments to be $200 per apartment annually in 1993 (roughly $432 in today's dollars). Since the HSTPA eliminates high-income deregulation, apartments will no longer be removed from rent regulation when a tenant's income exceeds a certain level, effectively amplifying the existing misallocation issue.

The misallocation issue in New York City's rental market is also apparent in recent census data. The Census Bureau's 2023 New York City Housing and Vacancy Survey finds that the median income for renters in rent-stabilized units is $60,000 (which is surprisingly close to the $70,000 median income for all renters in the city), and 30% of renters in these units earn $100,000 or more.[6] Besides misallocation, the census data indicates that rent-stabilized units in New York City have more housing problems compared to market rentals. This discrepancy exists in a variety of forms, from rodents (39% of rent-stabilized vs. 22% of market rentals), to leaks (26% vs. 15%), to heating breakdowns (20% vs. 9%), to the presence of mold (15% vs. 6%).

6 https://www.nyc.gov/assets/hpd/downloads/pdfs/about/2023-nychvs-selected-initial-findings.pdf

Part I. Data Errors & Misrepresentations

HR&A Advisors recent study on unincorporated Los Angeles County's rent stabilization and tenant protection policies presents alternative policy options for rent control, all of which are more restrictive than the current RSTPO. Increasingly restrictive rent control measures should be linked to increasingly worsening problems faced by tenants. Instead, the data shows that the problems are becoming less serious with time. And yet, HR&A appear to advocate stricter rent control measures.

> *The data shows that the problems are becoming less serious with time. And yet, HR&A appear to advocate stricter rent control measures.*

Their study is based on the claim that rising rents in LA County are contributing to housing insecurity, defined as housing costs exceeding 30% of a household's income – that since 2017 the median rental price in the county has increased by 37% while median income has increased by 22%. We show first that this gap does not exist as claimed in their report, and second, we present evidence on relevant metrics of LA County renter burden. Based on U.S. Census data, we show that renter burden has been decreasing over time for renters in unincorporated LA County.

We show that housing supply has not kept pace with the population growth in LA County over the last century. Low housing supply, coupled with higher demand for housing caused by higher renter incomes, necessarily leads to higher rents – it is a straightforward interaction of supply and demand. The housing issues in LA County, and in California generally, are fueled by a lack of housing supply.

Last, we present a retrospective comparison of median gross rents and RSTPO allowable rent increases from 2013 to 2023, assuming temporary moratoriums had not been imposed between 2020 and 2023. Of the six policy options presented in the report by HR&A Advisors, the RSTPO may offer the best compromise between tenants and landlords. However, even this plan is materially flawed and can be predicted to lead to substantial profitability issues for owners in the Los Angeles rental market over the next few years.

GROWTH IN MARKET RENTS

The year 2020 was marked by the onset of the COVID pandemic, during which the CDC enacted a national eviction moratorium and local governments imposed caps on rent increases. As such, median gross rent in LA County fell by 2.7% in 2020. When rental prices course-corrected in the following year, the year-over-year change was an apparently drastic uptick of 11.5%. In fact, rental growth was on par with its historical record. If rents had continued to grow in 2020 and 2021 at the same 4.3% average pace observed between 2012 and 2019, gross median rent in 2021 would have been higher than it was in 2021. HR&A fail to account for this outlier correction, claiming: "Since 2020, market rents in LA County have risen sharply." (Appendix B, page 29).

GROWTH OF INCOME VS. RENTS

Using data spanning the same time period and from the same source as used by HR&A (five-year estimates for 2017 & 2022 data from the U.S. Census American Community Survey), we find that median gross rent in Los Angeles County did indeed grow by nearly 37% from $1,322 to $1,805. However, using the same data set as that used by HR&A (five-year estimates for 2017 & 2022 data from the ACS), we are unable to replicate HR&A's finding that median renter income increased by only 22% in those five years. Instead, we find that median renter income in LA County has increased from around $43k to around $61k, representing an **increase of over 43% of renter income over this period, not 22% as reported by HR&A** (Appendix B, page 5).

HR&A likely presented the change in real rental income over time, which would be around 22%, if nominal income is inflation-adjusted using the core CPI (excluding food and energy prices). Comparing the growth rate of real income and the growth rate of nominal rents is not a correct comparison.

HR&A's report is based on the premise that rising housing costs, "when paired with a mismatch in income growth, can create or exacerbate affordability challenges and housing instability for tenants" (Appendix B, page 5). However, as can be seen in the data, the **mismatch between the growth of rental prices and renter incomes is not in the direction that HR&A claim**, as rental prices have been increasing at a slower pace than has median household income in Los Angeles County.

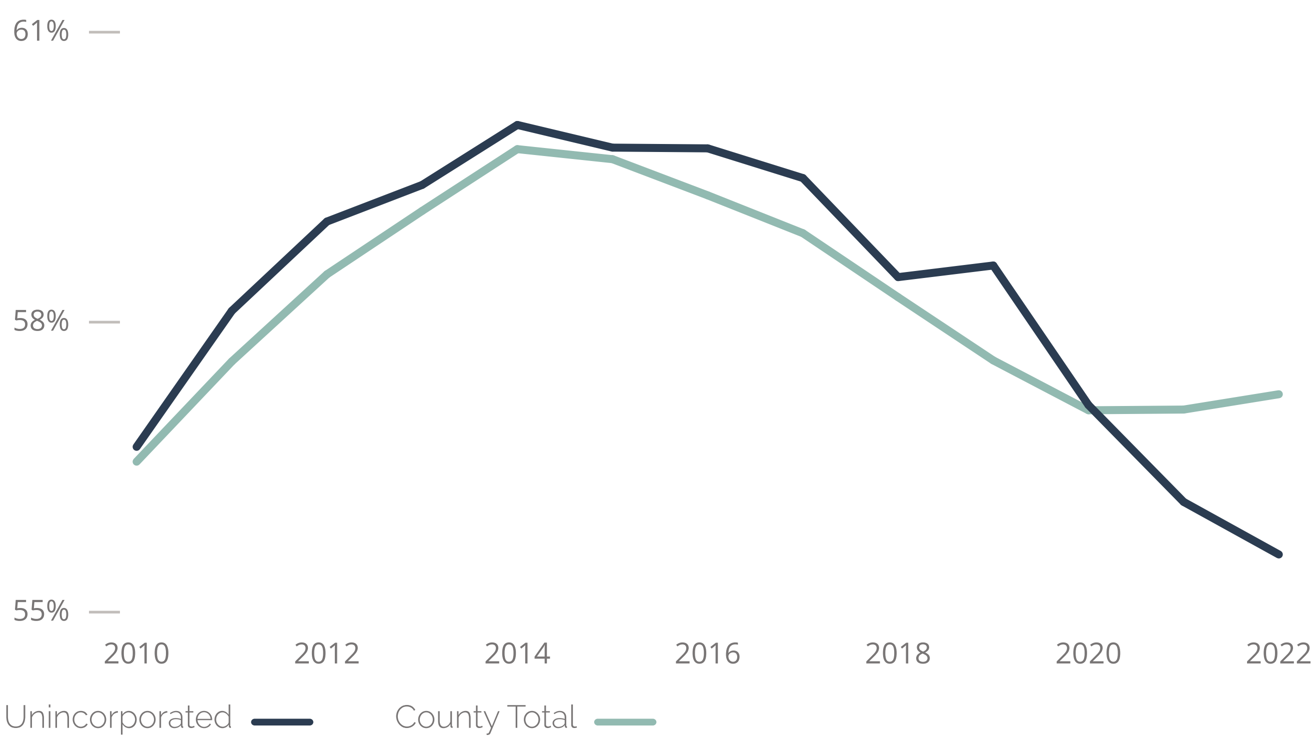
BURDENED RENTER HOUSEHOLDS

Another way to study the question of rising housing instability is to consider the share of renter income that is spent on housing. The report by HR&A states that "almost all renters with incomes below $50,000 are cost-burdened, meaning they spend more than 30% of income on rent" (Appendix B, page 14). Yet it is **not clear whether housing assistance and food assistance are accounted for**. Section 8 housing vouchers allow low-income families, the elderly, and the disabled to afford housing in the private market, and CalFresh, the state's food stamp program, allows low-income families to purchase food. However, if the monetary value of Section 8 vouchers and of CalFresh food stamps are not included in the calculation of income, then income levels used in the report are underestimates of their true monetary value. Since there is no mention of either program in HR&A's report, it is not surprising that most low-income renters are reported to be cost-burdened.

The report goes on to state that "there are over 83,000 cost-burdened renter households in unincorporated LA County (59%). This may be due to rising rents, declining incomes, or a combination of factors" (Appendix B, page 14). **Examining the data over time, we find that the share of cost-burdened renters has been declining in LA County**. Using data from the ACS, we find that the median rent-to-income ratio dropped by 1% between 2017 and 2022.

Moreover, Figure 2 presents data from the U.S. Census on the share of burdened renter households in unincorporated Los Angeles County as well as in the county overall. Following the methodology of the Federal Reserve Bank of St. Louis (FRED), the share of burdened renter households is calculated as the sum of households that rent spending 30.0%-34.9% of their income on gross rent and households that rent spending 35.0% or more of their income on gross rent (ACS 5-year variables DP04_0141E and DP04_0142E, respectively, from table DP04) divided by the sum of the total number of households that rent (ACS 5-year variables DP04_0136E from table DP04).[7] **The downtrend of burdened households in unincorporated parts of LA County over time** is readily apparent in this data.

Figure 2. Burdened Households: Los Angeles County, 2012-2022



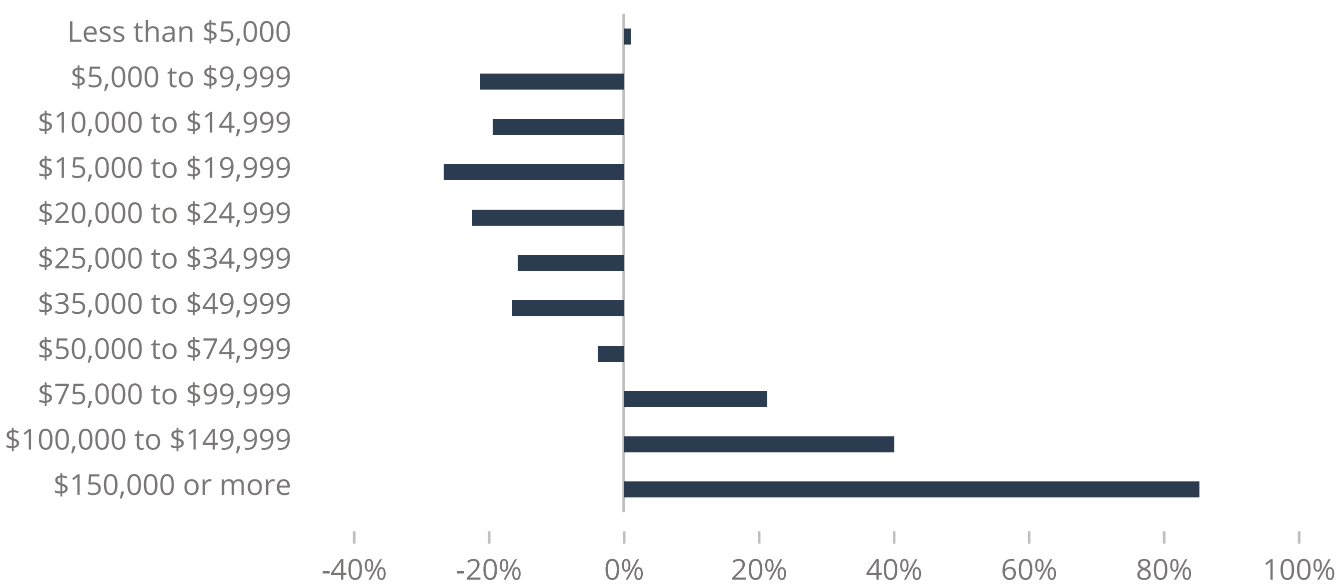
Source: U.S. Census American Community Survey (5-year estimates). Analysis by Beacon Economics.

7 Note that the calculation excludes households where gross rent cannot be calculated.

DISTRIBUTION OF RENTERS BY INCOME

The question of housing insecurity experienced by renters can be better answered through an examination of the data on tenure, by renter income levels, provided by the ACS (see Figure 3). Comparing tenure by LA County renter income levels from 2017 to 2022, we find that the number of rental units occupied by people earning less than $75,000 per year decreased over this period, but **the number of rental units occupied by people earning more than $75,000 per year substantially increased**. For owner-occupied units, there has been a drop in the number of units occupied by households earning $75,000 to $150,000, and only about a 45% increase in the number of units occupied by households earning $150,000 or more – a far less drastic change as compared to the experience of LA renters.

Figure 3. Change in Tenure by Household Income for Rental Units: LA County, 2017 to 2022

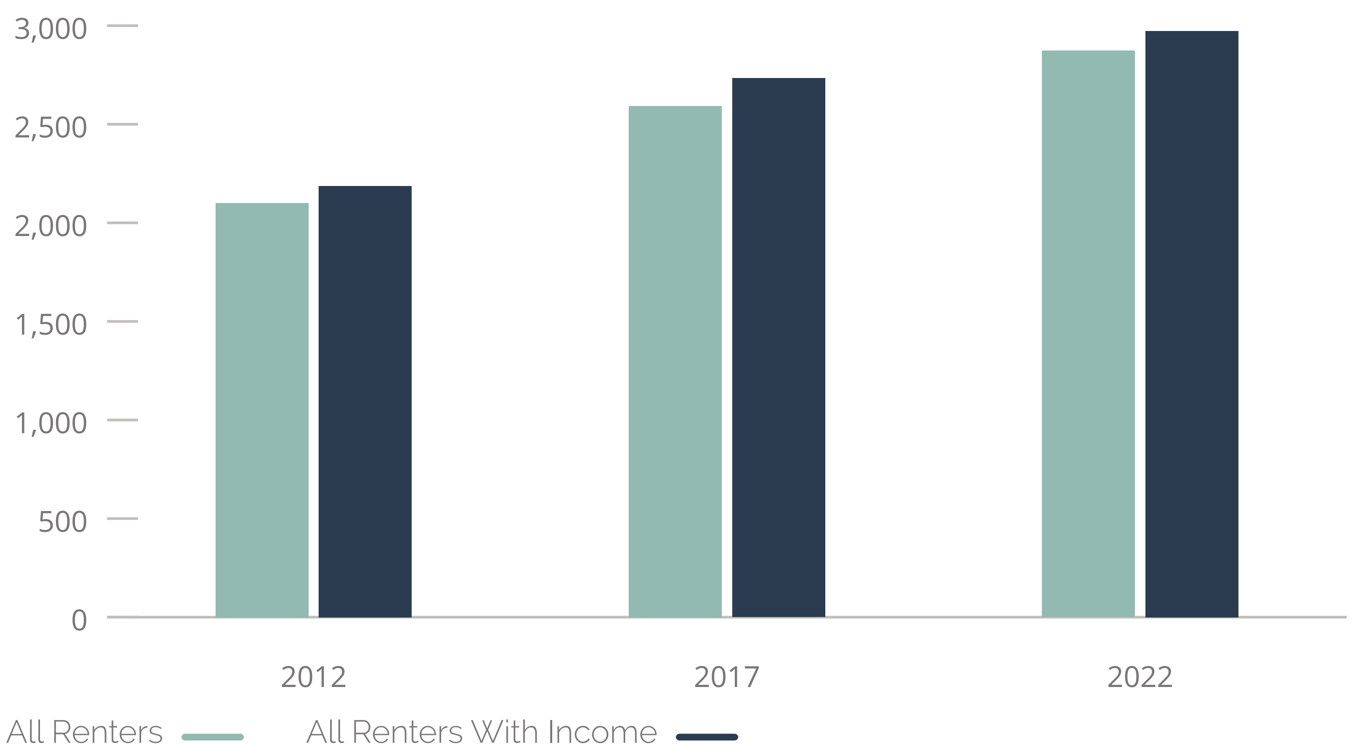


Source: U.S. Census American Community Survey (5-year estimates for 2017, 2022). Analysis by Beacon Economics.

POST-RENT INCOME

Moreover, we can consider what has happened to post-rent gross income for LA County renters over the same period. Adjusting for inflation, median post-rent gross income has increased from $2,593 to $2,872 per month from 2017 to 2022, a roughly similar pace of increase as was seen between 2012 and 2017 (see Figure 4). This means that **in real terms, the typical renter in LA County is doing financially better over time**.

Figure 4. Real Median Post-Rent Gross Income for Renters: LA County (2012-2022)



Source: U.S. Census American Community Survey Public Use Microdata Sample (2017-2022). Analysis by Beacon Economics.

GROWTH IN POPULATION VS. HOUSING SUPPLY

Instead of attempting to expand on rent regulation policies, which have repeatedly been shown to be inefficient and a source of unintended consequences, **the real issue should be addressed: limited housing supply**.

The state continues to issue slightly less than 10,000 housing permits per month, the same number as in 2017.[8] Despite all the changes in RHNA rules, Senate Bill 8 and Senate Bill 9, changes in ADU rules and so on, the state has failed to improve housing shortages. **Instead, the state has focused on affordability, which completely misses the real issue and fuels gentrification**. As the lack of housing supply drives up California's home prices, higher income families with lower price sensitivity are moving in, driving prices still higher and pushing lower income families with greater price sensitivity out of the state.

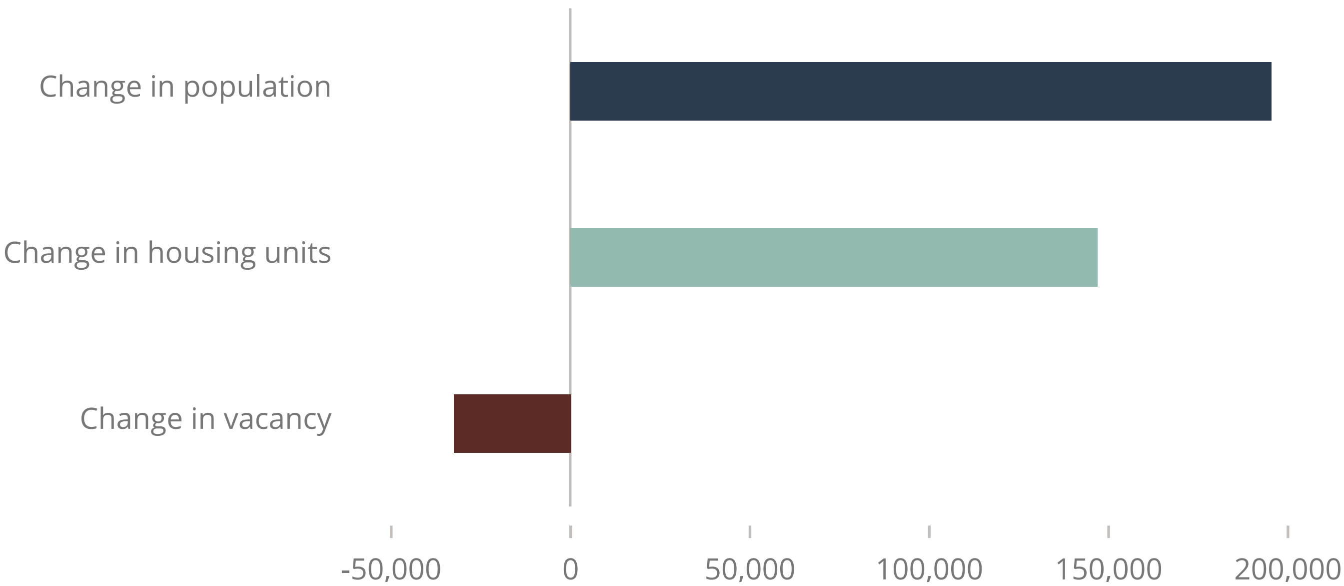
Consider Figure 5 which shows the absolute growth in the population of LA County and the absolute growth in housing units from 2010 to 2020. The population of Los Angeles has grown by 195,404 people over the last decade while housing has only grown by 146,905 units. Not surprisingly, vacancies have decreased, from nearly 204,000 vacant units in 2010 to around 171,000 vacant units in 2020. Figure 6 provides another view of this same discrepancy.

While the total population of Los Angeles County has continued to grow over the past century, the number of housing units constructed has not kept pace with this growth. According to the U.S. Census American Community Survey in 2022, there are nearly half as many housing units in LA County that were built in the four decades after 1980 than there are housing units built in the four decades before 1980. The report by HR&A Advisors fails to suggest that rising market rents are partly due to the lack of new housing supply in the face of increasing demand.

> *Rising market rents are partly due to the lack of new housing supply.*

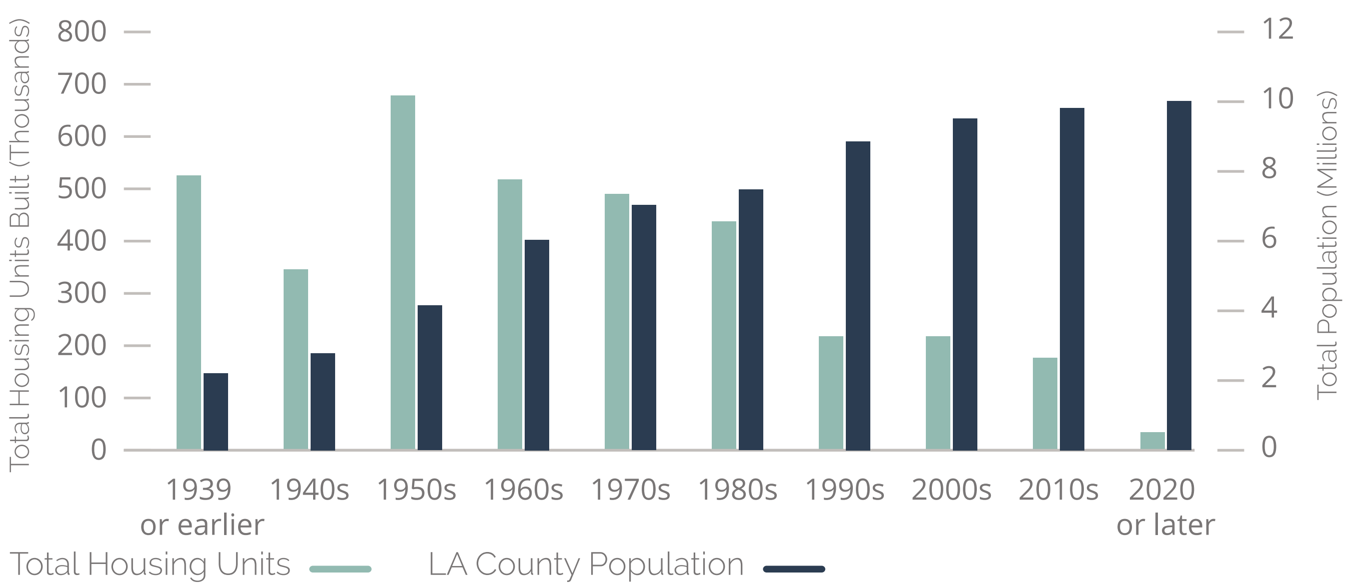
8 https://fred.stlouisfed.org/series/CABPPRIVSA

Figure 5. Change in Population, Total Housing Units, Vacancy: LA County (2010-2020)



Source: Decennial U.S. Census, 2010 and 2020. Analysis by Beacon Economics.

Figure 6. Total Population and Total Housing Units: LA County (1930s - 2020s)



Source: Decennial U.S. Census, 1930-2020 and U.S. Census American Community Survey, 2022. Analysis by Beacon Economics.

APPROACHES TO RENT STABILIZATION

The HR&A report claims:

> *"Without temporary rent freezes, the RSTPO formula would have allowed rent increases in excess of market rents, due to a dip in market rents in 2020 as well has high inflation rates."*

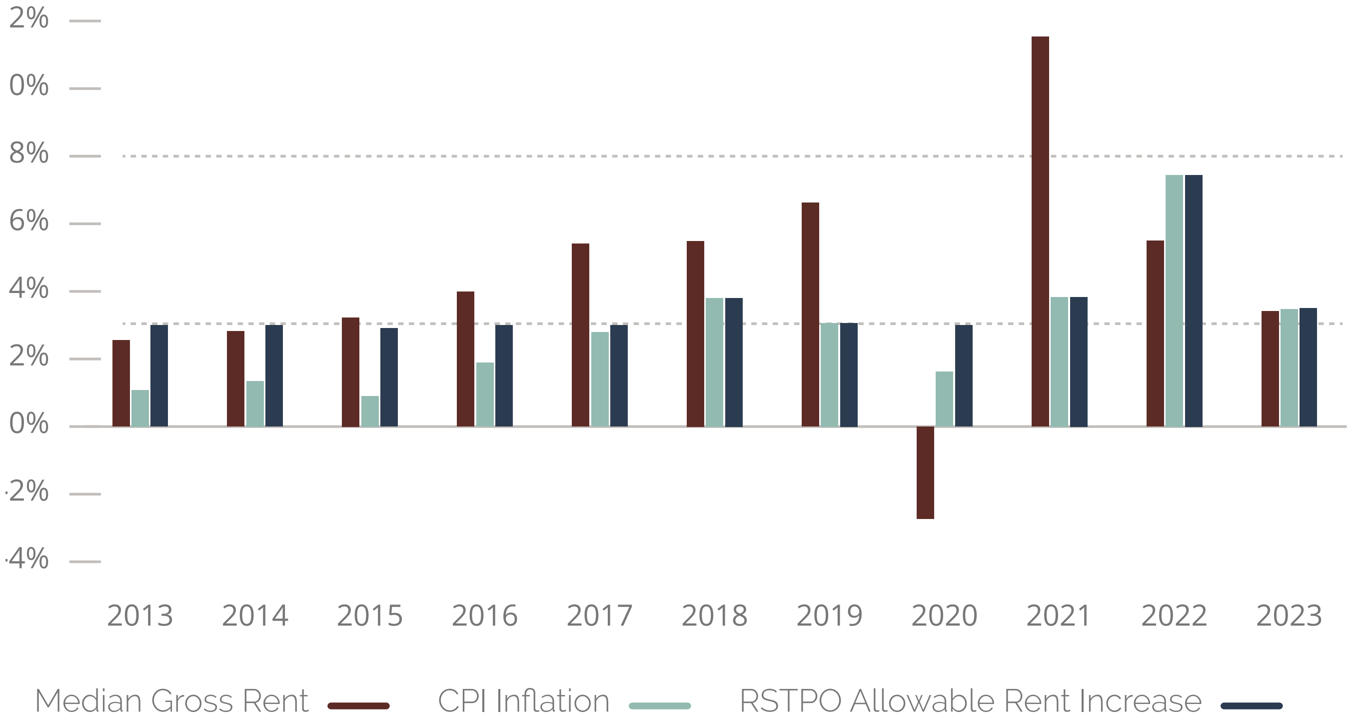
This statement is incorrect in several respects. First, **the application of the RSTPO formula in the HR&A report is incorrect** (see Figure 7a and Figure 7b for comparison). The formula for the RSTPO is currently based on CPI inflation rates, with a rent cap of 0% in years with consumer price deflation surpassing 2%, and a rent cap of 8% in years with consumer price inflation surpassing 8%. For inflation rates between -2% and 1%, the rent cap is the inflation rate plus 2%. For inflation rates between 1% and 3%, the rent cap is 3%, and for inflation rates between 3% and 8%, the rent cap matches the CPI. For any given year, this formula is based on the inflation in the CPI from September of two years previously to September of one year previously. For example, the RSTPO allowable rent increase in 2025 will be based on how much inflation occurred between September 2023 and September 2024. In HR&A Advisors' report, the relevant inflation rate for a given year is calculated as that which occurs between January and December of the same year. It is, of course, impossible to predict the precise inflation rate that will occur in a year before it has occurred, which is the underlying assumption made by HR&A Advisors. That is not to say it is impossible to have a rent regulation policy based on expected inflation. However, that is not how RSTPO is formulated.

As stipulated in Chapter 8.52 – Rent Stabilization and Tenant Protections:

> *"Annual Rent increases for Fully Covered Rental Units [under RSTPO] shall be limited to reflect the percentage change in the average CPI over the previous twelve (12) month period ending in September."*[9]

9 See: https://library.municode.com/ca/los_angeles_county/codes/code_of_ordinances?nodeId=TIT8COPRBUWARE_DIV3HO_CH8.52RESTTEPR

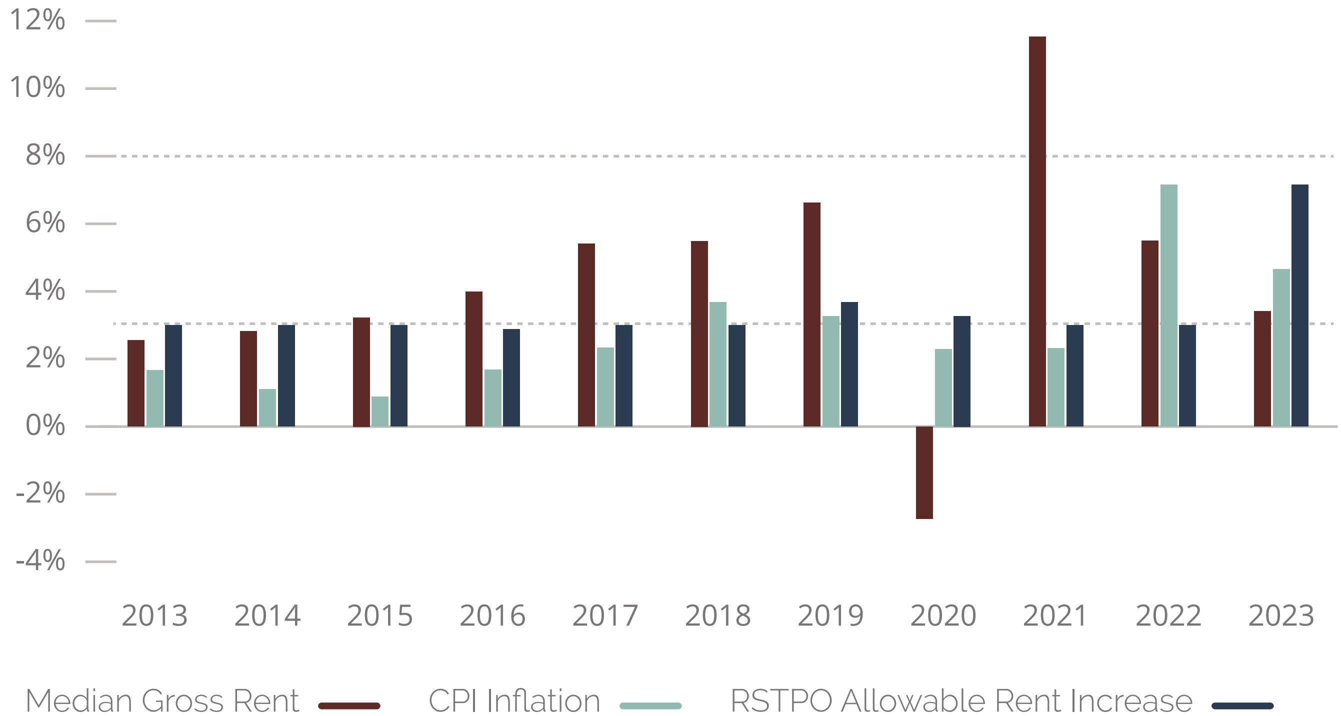
Figure 7a. (Correct Application of RSTPO Formula) Annual Percent Change of Median Gross Rent, CPI, & RSTPO Allowable Rent Increases: LA County (2013-2023)



Source: U.S. Census ACS 1-Year Estimates, U.S. Bureau of Labor Statistics, Zillow ZORI, LA County. Analysis by Beacon Economics.[10]

10 Note: Los Angeles County's RSTPO program started in 2020. RSTPO Allowable Rent Increases reflect hypothetical increases had the RSTPO taken effect prior to or beginning in 2013, without COVID-19 modifications between 2021 and 2023. Median Gross Rent data for 2020 uses ACS 5-Year Estimates and for 2023 is approximated based on ZORI data of mean of listed rents that fall into the 35th to 65th percentile range for all homes and apartments in a given region, weighted to reflect the rental housing stock.

Figure 7b. (Incorrect Application of RSTPO Formula, Replication of HR&A Report) Annual Percent Change of Median Gross Rent, CPI, & RSTPO Allowable Rent Increases: LA County (2013-2023)



Source: U.S. Census ACS 1-Year Estimates, U.S. Bureau of Labor Statistics, Zillow ZORI, LA County. Analysis by Beacon Economics.14

Furthermore, when using the correct application of the RSTPO formula, the claim that "without temporary rent freezes, the RSTPO formula would have allowed rent increases in excess of market rents," is not supported. There were temporary rent freezes imposed throughout the entire years of 2020, 2021, and 2022. In 2020, median gross rent in LA County decreased by 2.7% while the RSTPO allowable rent increase would have been 3.3%. In the year 2021, median gross rent increased by 11.5%, and in the year 2022 median gross rent increased by 5.5%. The RSTPO allowable rent increase would have been 3% for each of those years. **Temporary rent freezes prevented rents from increasing for RSTPO units. Without them, however, the RSTPO would not have allowed rent increases in excess of market rents in 2021 and 2022**, as is claimed in the HR&A report.

Part II. Operating Expenses & Rate of Return

In their report, HR&A Advisors base their rent control policy analysis on striking a balance between the interests of tenants and property owners, where the interests of owners are represented through the concept of a "fair return."

The concept of a "fair return" typically applies to regulated monopolies, such as utility companies (electric, water, gas). The rate is determined by regulatory bodies, such as public utility commissions, and is designed to ensure that these entities can cover their operating costs and earn just enough profit to incentivize future operations. However, the concept has been previously applied by the courts in the context of property ownership under rent control policies.[11, 12] HR&A Advisors similarly apply the concept of a "fair return" in their report, stating that "the formula for allowable rent increases must consider trends in rent, costs to operate rental housing, and property owners' ability to earn a fair return" (Appendix B, page 29).

RISK & UNCERTAINTY OMITTED

However, in their report, HR&A Advisors **do not consider interest rates or any relevant risk factors** in their concept of a fair return. A fair return on an investment would need to include estimations for the risk taken on by the investor, linked both to interest rates and to market-specific risks. As stated in Federal Power Commission v. Hope Natural Gas Company, determining prices that will provide a fair return "involves a balancing of the investor and the consumer interests."[1] One of these investor interests is a "return to the equity owner… commensurate with returns on investments in other enterprises having corresponding risks." HR&A Advisors fail to take risk into account in their estimation of a "fair return."

11 Kavanau v. Santa Monica Rent Control Board (1997)

12 H.N. & Frances C. Berger Foundation v. City of Escondido (2005)

ONGOING MAINTENANCE V. NEW INVESTMENT

Their concept of a fair return **critically overlooks the distinction between the rate of return necessary to encourage the ongoing maintenance of an existing building** versus that needed to encourage the development of a new building. The latter is necessary to provide incentives for new investment in the region and is distinctly higher than the return required to incentivize ongoing maintenance and improvements for existing units. A higher return is necessary to encourage new development in a region, as investment in new structures is inherently riskier. For example, it can take several years to obtain a construction permit, if one is ever issued at all. As stated in Southwestern Bell Telephone Company v. Public Service Commission of Missouri, the return for owners in price-regulated industries "should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital."[2] HR&A Advisors fail to account for the return necessary to attract new investment.

COST OF SERVICING DEBT OMITTED

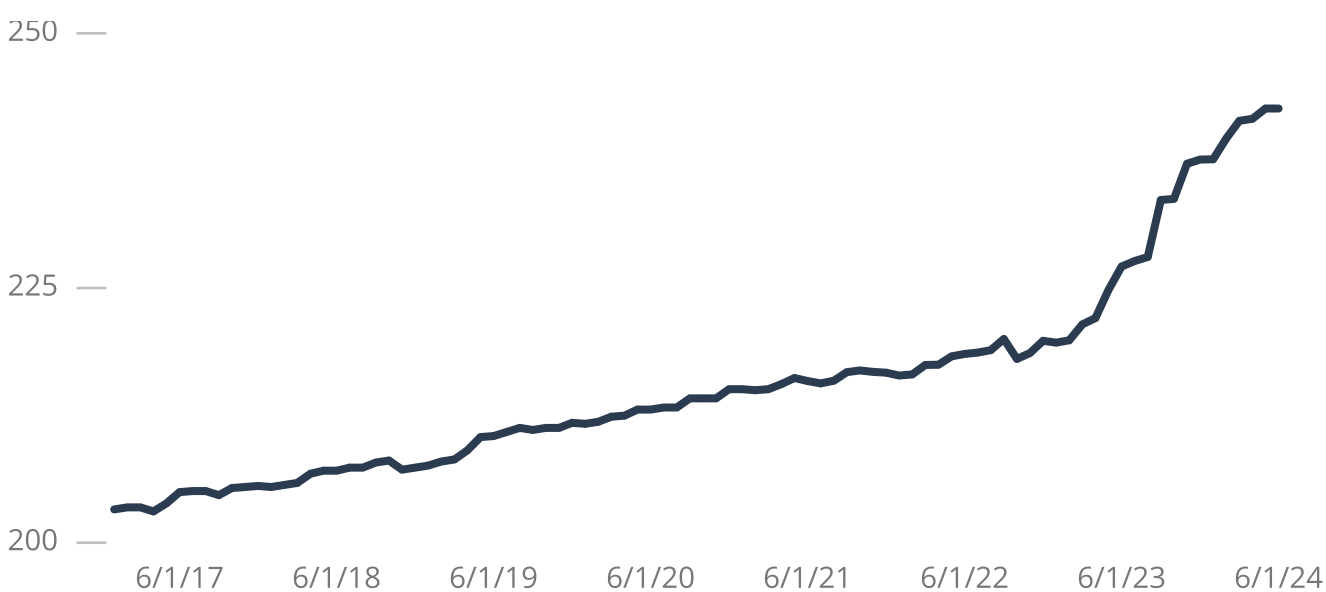
HR&A's calculation of a "fair return" **does not account for mortgage payments or other debt payments** property owners may need to make. Although it is standard to exclude the cost of servicing debt in calculating net operating income, it should be included in the calculation of a fair return. As opined in the U.S. Supreme Court case **Chicago & Grand Trunk Railway Co. v. Wellman**, when regulatory bodies set prices in the market, it is important that there be enough revenue not only for operating expenses, but also for the capital costs of the business, including payments on the debt.[3] HR&A have failed to take debt payments into account in their conception of a "fair return" on investment.

OUTDATED COST ESTIMATES

Their implicit assumption that property owners are currently earning a “fair return,” apparent in their advocacy of capping rents at current rental prices, is a considerable stretch given that for the last few years rents have been capped (first, frozen for three years then subject to a reduced cap for 20 months, set to expire at the start of 2025) despite a sharp increase in expenses for landlords.

Owners’ property expenses, which extend to 2022 in HR&A’s report, are l**ikely underestimates and not reasonably representative of operating expenses today,** as homeowner insurance premiums have been rising sharply since 2023. Since the beginning of 2023 in particular, homeowner insurance costs have risen significantly, according to data from the U.S. Bureau of Labor Statistics. As can be seen in Figure 8 below, the producer price index (PPE) for homeowner’s insurance premiums has significantly increased since the beginning of 2023. These recent increases are not accounted for in HR&A’s calculations of net operating income.

Figure 8. Producer Price Index by Industry: Premiums for Homeowner’s Insurance, 2017 to 2024



Source: U.S. Bureau of Labor Statistics, Producer Price Index by Industry: Premiums for Property and Casualty Insurance: Premiums for Homeowner’s Insurance [PCU9241269241262], retrieved from FRED, Federal Reserve Bank of St. Louis. Analysis by Beacon Economics.

Various regulations and rule changes spell additional future costs for property owners in California, as acknowledged on page 35 (Appendix B) of the report. For example, the recently passed Balcony Inspection Law (California Senate Bill SB 721), which requires property owners to make repairs by 2025 to balconies deemed unsafe by an inspector, creates additional operating expenses – which are acknowledged on page 35 (Appendix B) of the HR&A report. Though acknowledged, these expected costs are not included in the calculation of net operating income for property owners (Appendix B, page 32). To claim that "Net Operating Income (Gross Potential Rent less vacancy, operating expenses, and other adjustments) is typically between $17-$21 per square foot, or 60% gross potential rent" **misrepresents the true net operating income experienced by property owners in the county**.

In Southwestern Bell Telephone Company v. Public Service Commission of Missouri, the U.S. Supreme Court underscored the importance of considering current costs of labor, materials, and other factors when setting rates, criticizing the Commission for relying on outdated cost calculations and failing to account for the increased costs faced by the utility.[2]

INAPPLICABLE COST DATA

As the introduction of the HR&A report lays out (Appendix B, page 7), there are limitations to the data sources used for extracting operating expenses (Appendix B, page 32). For one, Novogradac provides historic trends of **operating expenses for deed-restricted affordable properties in the Western region of the U.S., which includes many states outside of California** (AK, AZ, CO, HI, ID, MT, NM, NV, OR, UT, WA, and WY).

While the IREM and NAA provide historical data for properties in the Los Angeles-Long Beach Metro Area, this data **does not differentiate between incorporated and unincorporated areas**.

Moreover, in determining the trends in operating expense growth (per unit) for rent-controlled units, HR&A rely on a source[13] that provides data on low-income housing units. While low-income housing units sometimes overlap with rent-controlled units, they are not the same. Rent control affects rental increases and does not require tenants to be low-income, whereas low-income housing is a targeted assistance program based on income eligibility. **The operating expenses of low-income housing units are not necessarily the same, or growing at the same rate, as those of rent-controlled units**. HR&A's reliance on this data source (Appendix B, page 54) is inappropriate and calls their cost analysis into question.

GROWTH IN OPERATING COSTS V. CPI

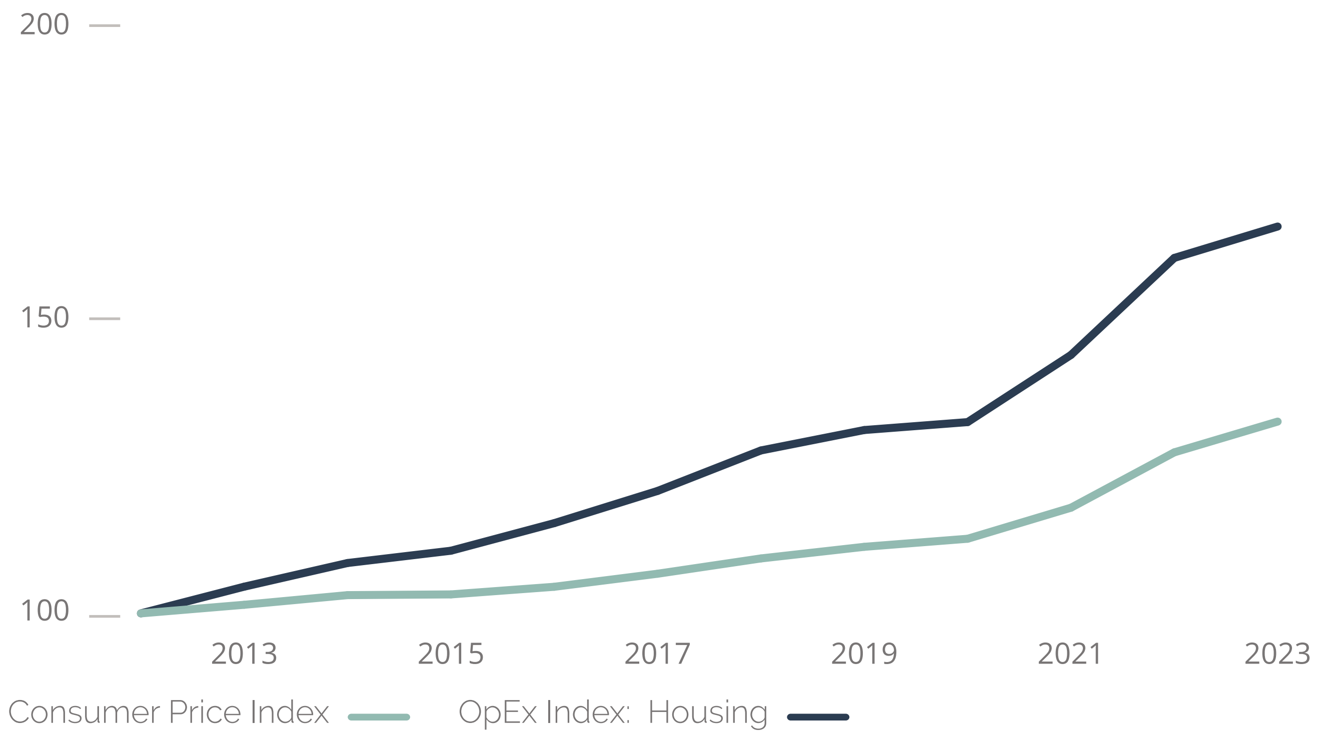
Most of the rent control options suggested in HR&A's report link rental price caps to changes in the CPI. For property owners to continue earning a "fair return," as HR&A assume they are earning, it would have to be the case that the costs of maintaining housing grow at the same pace as consumer prices. **Yet, the report does not offer any evidence to suggest that the growth rates of the costs of maintaining housing and consumer prices are comparable. In fact, their report shows the opposite to be true**. On page 42 of Appendix B, HR&A present a time-series chart of operating expenses and the CPI from 2015 to 2022. This chart shows that

13 Novogradac Low-Income Housing Tax Credit Income and Operating Expenses Report (2023)

operating expenses have increased by 20% more than consumer prices have over the last seven years – specifically, that operating expenses have increased by 47% while consumer prices have increased by 27% over the same period. HR&A clearly acknowledge that owners' expenses have been rising faster than consumer prices.

According to data from the Bureau of Economic Analysis (BEA), the cost of maintaining housing has increased by 10% more in the last five years than have consumer prices, and 40% more in the last twenty years. Specifically, the cost of maintaining housing has increased by 30% in the last five years, whereas consumer prices have risen by just 20%. Over the last twenty years, the cost of maintaining housing has risen by 105%, compared to 65% for consumer prices. Figure 9 and Figure 10 show the distinctly different growth rates of consumer prices and the costs of providing housing between 2015 and 2023.

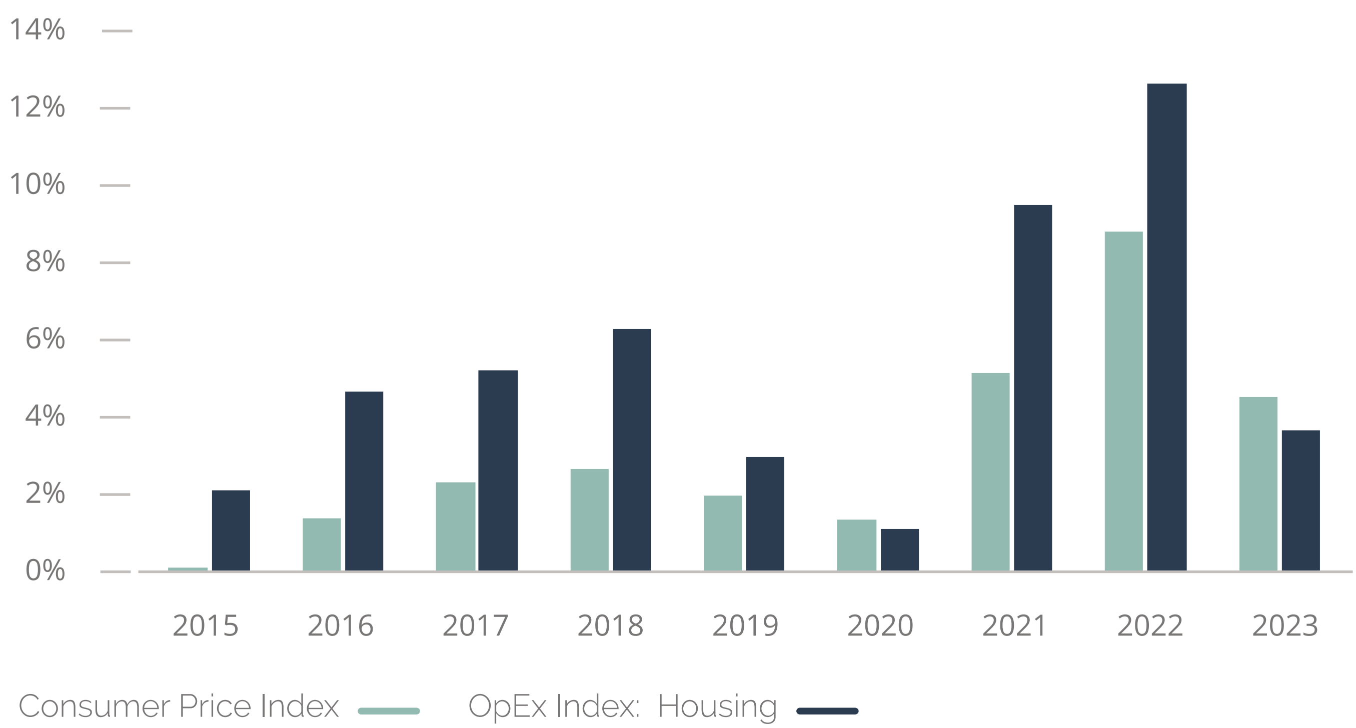
Figure 9. Chain-Type Price Indexes for Intermediate Inputs by Industry: Housing and Consumer Price Index, 2012 to 2023.



Source: Bureau of Economic Analysis; Bureau of Labor Statistics. Analysis by Beacon Economics.

HR&A's rent regulation options that base rental price increases on CPI inflation will continue to hurt property owners. The consequences will be even more severe for those options where rental increases are based on a percentage of the change in consumer prices, such as Options 3 and 4 presented in their report. Option 3 proposes a formula using 60-80% of CPI inflation, with a minimum of 2-3% and a maximum of 4-8% increase in annual rents. Option 4 is similarly based on a portion of CPI inflation; however, this option is more stringent than the already stringent Option 3, proposing a formula based on 60% of CPI inflation, no minimum rent increase, and a maximum rent increase of 3% per year. As their report acknowledges, this option will provide "the greatest protection to tenants" at the cost of harming property owners who "may require alternate protections... such as added pass-throughs or administrative streamlining for additional rent increases" (Executive Summary, page 2).

Figure 10. Annual Growth Rates of Chain-Type Price Indexes for Intermediate Inputs by Industry: Housing and Consumer Price Index, 2015 to 2023.



Source: Bureau of Economic Analysis; Bureau of Labor Statistics. Analysis by Beacon Economics.

A rent control formula that is based on the CPI will erode, and eventually erase, the rate of return on rental housing. At the same time, their report neglects to address the fact that renter incomes have grown faster than the CPI. Hence any application of these formulas will not only hurt landlords at an increasing pace but will excessively favor renters who will see their rents go up substantially slower than their incomes.

UNIFORMITY OF COST STRUCTURES

Furthermore, HR&A's simplistic model of gross profitability assumes uniform cost structures across the county. **Their model fails to account for wide variations across properties** in the county based on age, location, and size of structure, which all factor into the true costs faced by property owners. A universal approach will not level the playing field, but rather freeze it at its current unequal level. This approach will undoubtably have significant negative outcomes for a sizable segment of the market—and most likely for smaller investors for whom expenses tend to be a higher share of revenues.

Part III. Unintended Consequences of Rent Control

Unintended consequences refer to the effects of actions or policies that are not intended by those taking an action or setting a policy. These typically occur because of good intentions, but a poor understanding of economics, human motivation, and consumer behavior. Rent control policies provide a classic example of unintended consequences: governments have the intention of making housing more affordable by imposing such policies, but in doing so, they exacerbate existing housing issues. In its most direct form, rent control refers to a price ceiling or legal maximum price imposed on rental units in an economy. More commonly, we see the policy applied as a proportional price ceiling, where rental price increases are capped rather than the rental price itself being capped (referred to as rent stabilization). Together, rent control and rent stabilization policies are referred to as **rent regulation policies**.

As with most public policies, rent control is prone to unintended consequences, the most serious of which include loss of housing market liquidity and loss of housing supply. Rent control acts as a disincentive for renters to move out of rent-controlled units, even if their financial situations allow for it. This hampers renter mobility and creates illiquidity in the market. At the same time, rent control acts as a disincentive for landlords to maintain their rent-controlled units, both in maintaining the quality of these units and in continuing to offer them as residential rentals. Supply is hindered further by the loss of new housing supply, as rent control acts as a disincentive for entry into the market. Over time, the supply of rental units has been shown to decrease because of rent control policies. These negative effects are not analyzed in the report by HR&A, and the economy is seemingly treated as a static system rather than a dynamic one.

LOWER MOBILITY

Rent control policies stand in the way of tenant mobility, as research from as far back as 1946 confirms.[4,5] Tenants may feel tied to their rent-regulated unit and reluctant to move out, even if their income has risen, allowing them to move to a more desirable location. People may choose to stay in a rent-controlled unit even when it no longer suits their needs because other affordable options are scarce. A recent study reports that **rent control reduces renter mobility by 20%**.5 This can lead to inefficient use of housing, such as larger households in small apartments or individuals occupying family-sized homes.

HR&A's report reveals a preference for renter immobility, despite rising renter incomes. This preference is apparent in their rejection of a means test for tenants, which would prevent higher income tenants being subject to rent control policies. They argue that a means test could "lead to… potential displacement if tenant incomes rise" (Appendix B, page 52).

HOUSING SHORTAGE

In line with standard economic theory, studies find that when governments impose a binding price ceiling it creates a shortage in the rental housing market.[6] There are several reasons for this. First, rent regulation policies are price ceilings, and as they are set below prevailing market prices, they cause the demand for apartments to exceed supply, thus creating a housing shortage by definition. Second, landlords might be less incentivized to offer properties for rent if they cannot achieve market rates. In some cases, landlords might convert rental buildings into condominiums, which are often not subject to rent control. This reduces the rental stock and shifts properties toward potentially higher-income buyers rather than renters. Third, developers might be deterred from building new rental properties in areas with stringent rent controls, preferring to invest in markets with potentially higher returns. A recent study reports that **rent control reduces rental housing supply by 15% over the long run**, as units are converted to condominiums or tenancy-in-common units, sold to owner-occupants, or redeveloped.[7]

LOWER QUALITY

Besides creating a new housing shortage or worsening an existing one, caps on potential rental income may leave landlords without sufficient funds or motivation to maintain and reinvest in their rental units. This can lead to a deterioration in the quality of housing, as there is less financial incentive to invest in upkeep and renovations. Compared to non-controlled units, older and smaller **rent-controlled buildings have a 9% higher probability of being in unsound condition**.[8]

HIGHER PRICES

Perhaps the most counterintuitive of the unintended consequences of rent control is related to prices. Although the goal of rent regulation is to make housing more affordable, **it has been shown to achieve the opposite**. This could be due to displaced demand following the imposing of rent control. As people find it hard to secure rent-controlled units, they compete for fewer available non-controlled rentals and drive up prices.

Studies from as early as 1984 confirm this theory.[9,10] As one such study concludes:

> *"While rent control prevents displacement of incumbent renters in the short run, the lost rental housing supply likely drove up market rents in the long run, ultimately undermining the goals of the law."* [5]

MISALLOCATION

Ironically, rent control can lead to displacement and accelerate gentrification. Landlords in rent-controlled areas may seek to attract higher-income tenants as they pose less financial risk, potentially displacing lower-income tenants. Furthermore, the limited supply of rent-controlled units may push up demand and prices in non-controlled areas (as mentioned above), leading to displacement of existing residents.

Rent control generates efficiency loss due to this misallocation of rental units.2 Essentially, if those willing to pay the highest rents occupy rent-controlled units, the efficiency loss would be less than if a mix of households occupied these units. In reality, the lucky tenants that end up in rent-controlled units are usually just that – lucky. This misallocation of units creates an additional layer of economic inefficiency in the market.

ADMINISTRATIVE AND LEGAL COSTS

Enforcing rent control laws requires sound administrative oversight, which can be costly and complex. Moreover, disputes between landlords and tenants over rent control regulations can lead to increased litigation, straining the legal system and judicial resources. In California alone, there have been over 50 court cases concerning rent control disputes, involving apartment associations, property owners, rent control boards, cities, and counties.[14]

INEFFICIENCY

All of this generates inefficiency in the economy. There are mutually beneficial transactions that would have occurred – for instance, there are those that would like to rent an apartment and there are property owners that would like to rent out their units – were it not for rent regulation policies that disincentivize owners from supplying more rental units.

14 www.lawpipe.com

Conclusion

Established economic theory and years of academic research tell us that rent regulation policies create more problems than they solve – renter mobility declines, housing shortages are created or worsened, rental units become dilapidated over time, rents rise overall, and economic efficiency declines in part due to misallocation of resources.

> *The recent HR&A study offers a simplistic estimation of property owners' operating expenses that fails to take real cost differences (in property size, age, condition, etc.) into account.*

The recent HR&A study offers a simplistic estimation of property owners' operating expenses that fails to take real cost differences (in property size, age, condition, etc.) into account. The concept of a "fair return" on investment is applied. However, their conception of this metric has several issues, including an omission of the cost of risk and of servicing debt. Although their report acknowledges the fact that operating expenses have been growing faster than consumer prices (see Figure 9 and Figure 10), they propose rent control alternatives that are based either fully (100% of CPI, as in Options 1 and 2, Appendix B, page 58) or partially (60-80% of CPI in Option 3, 60% of CPI in Option 4) on CPI inflation rates. While rent regulation formulas that are based fully on CPI inflation (the current formula included) harm property owners, those based partially on CPI inflation – such as Option 3 and Option 4 – will pose more significant harms for property owners. Some expected increases in future costs (see Figure 8) for property owners are acknowledged but are not considered in the calculation of operating expenses, rendering their cost estimations an underestimate of owners' true operating expenses.

Their study is based on the claim that rising rents in LA County are contributing to housing insecurity, defined as housing costs exceeding 30% of a household's income, and that since 2017, rental prices have been growing faster than renter incomes. Our report shows first that renter income growth has outpaced rent growth, and second, we present evidence on relevant metrics of LA County renter burden based on U.S. Census data. This shows that renter burden in unincorporated LA has been on a downtrend for nearly a decade (see Figure 2).

> *Our report shows ... that renter income growth has outpaced rent growth.*

We analyze data on renter tenure, by income levels from 2017 to 2022, and find that the number of rental units occupied by people earning less than $75,000 per year has decreased over this period, but the number of rental units occupied by people earning more than $75,000 per year has substantially increased (see Figure 3). Analyzing data on post-rent gross income for LA County renters over the same period, we find that median post-rent gross income has increased, which means that in real terms the typical renter in the county is faring financially better over time (see Figure 4).

Data on housing supply and population growth rates over the last several decades reveal a significant discrepancy (see Figure 5 and Figure 6). Los Angeles County has nearly half as many housing units built after 1980 as it has units built in the four decades before 1980. With reduced residential construction, it is not surprising that the housing and rental markets have been experiencing upward price pressure in recent years. Low housing supply coupled with higher demand caused by higher renter incomes and populations leads inevitably to higher rents; it is a simple interaction of supply and demand. Incentives for increased residential construction in LA County would be a recommended policy route.

A comparison of median gross rent, CPI inflation, and RSTPO allowable rent increases shows that RSTPO properties would have experienced a lower rate of rent increases with RSTPO as compared to market rents in 2021 and 2022. This directly contradicts the claim by HR&A Advisors that the temporary rent freezes imposed in those years prevented RSTPO units from experiencing higher rates of rent growth than those seen in the rest of LA County (see Figure 7a).

> *Rather than implementing broad measures like rent control, efforts to assist lower-income households should prioritize direct approaches.*

The assessment by Beacon Economics suggests that the costs of rent control policies generally outweigh the benefits. The current RSTPO may offer a balance between the interests of landlords and tenants and has yet to be applied in the market due to rent freezes. However, even this plan is materially flawed and can be predicted to cause substantial profitability issues for owners in the Los Angeles rental market over the next few years. Rather than implementing broad measures like rent control, efforts to assist lower-income households should prioritize direct approaches such as earned income housing credits, increasing the supply of market-rate units to lower asking rents for vacant units, and continuing to expand affordable housing options with specific income eligibility requirements.

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From:	ExecutiveOffice
To:	PublicComments
Subject:	FW: STRONGLY OPPOSE AGENDA ITEM 35 !!!!
Date:	Wednesday, November 6, 2024 11:02:54 AM

The following correspondence is being forwarded to you for your review and handling.

From: Judith Elizabeth <judith.elizabeth2@gmail.com>
Sent: Wednesday, November 6, 2024 9:49 AM
To: ExecutiveOffice <ExecutiveOffice@bos.lacounty.gov>
Cc: First District <firstdistrict@bos.lacounty.gov>; Chen, Cindy <cchen@bos.lacounty.gov>; Holly J. Mitchell <HollyJMitchell@bos.lacounty.gov>; McGee, Fredericka <FMcgee@bos.lacounty.gov>; Third District <ThirdDistrict@bos.lacounty.gov>; Montemayor, Estevan <EMontemayor@bos.lacounty.gov>; Supervisor Janice Hahn (Fourth District) <fourthdistrict@bos.lacounty.gov>; Baucum, Mark <MBaucum@bos.lacounty.gov>; Barger, Kathryn <Kathryn@bos.lacounty.gov>
Subject: STRONGLY OPPOSE AGENDA ITEM 35 !!!!

DEAR L.A COUNTY BOARD OF SUPERVISORS,

My family and I strongly oppose AGENDA ITEM #35 from today's meeting and urge you to NOT pass a 3% rent increase cap in L.A> County!

We made sacrifices to become housing providers and are ethical and responsible housing providers who take pride in serving low income tenants within our community. Some of the organizations we have partnerships with include local Housing Authorities in L.A. County (LACDA, HACLB, and Norwalk Housing Authority), non-profit organizations such as P.A.T.H., The Salvation Army, Brilliant Corners, The Whole Child, Rapid Rehousing, and many more.

Please recall that the entire state of California has rent control as of January 2020 and offers sufficient protection to renters, especially with AB 1482. The current state and local rent control is the reason why "the rents are so dang high". Decreasing allowable rent increases will catalyze higher rent prices and decrease the supply of rentals even further. Please consider a free - market approach where developers can build more housing and this will only benefit everyone, especially renters looking for a place to call "home".

As a reminder, multi-family housing insurance has increased up to 3 x's more than last year, property taxes, business licenses, and city services (gas, electricity, water, and refuse/trash) continue to increase at an alarming rate and for utilities, up to 22% more. Why don't you focus on an increase of tax breaks or city services instead so landlords can have capital to build more affordable housing? Please DO NOT take away our property rights or limit the amount of money that my family's business is allowed to earn.

With all due respect, how would you, the LA County Board of Supervisors, feel if we limit your annual salary to only $30,000.00 and significantly decrease your big pension plan?! Available public data states that the L.A. County Board of Supervisors are paid in the range of about $230,000.00 a year or more.   **https://laist.com/news/politics/2022-election-california-general-los-angeles-county-supervisors .**

You would not be helping renters by increasing regulations. Please ask yourself the question: Do I want to create more housing or control more housing?

Respectfully,

Judith Elizabeth