



October 23, 2023

Mayor and City Council  
City of Salinas  
200 Lincoln Ave  
Salinas, CA 93901

**Re: October 24, 2023 City Council Meeting - Item ID#23-648 - Rent Stabilization and Tenant Protection - OPPOSE**

Dear Mayor and City Council:

The Salinas Valley Chamber of Commerce sent a letter to you dated February 28, 2023 entitled "Position on Rental Registry Ordinance Proposed by City of Salinas Staff." It stated the following:

Under the leadership of Community Development Department staff, particularly Director Megan Hunter, the committee worked toward creating an ordinance with language that all parties could accept as a reasonable compromise. We believe an acceptable compromise has been achieved.

Our letter also stated the following:

...the Chamber recommends that the Mayor and City Council wait to see measurable, data-based results of this rental registry program before imposing additional fees and regulations on property owners who rent their properties.

Our position has not changed, and therefore we oppose this proposal to abandon the compromise and instead prepare "rent stabilization" and "tenant protection" ordinances. We also ask that you maintain the Technical Advisory Committee on Housing rather than assigning the Housing and Land Use Committee as the forum through which the City engages the community on these issues.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill Hastie", written in a cursive style.

Bill Hastie  
Board Chair

attachment



Mayor and City Council  
City of Salinas  
200 Lincoln Ave.  
Salinas, CA 93901

**Re: Position on Rental Registry Ordinance Proposed by City of Salinas Staff**

Dear Mayor and City Council:

In 2019, and again in 2022 and 2023, the City of Salinas Community Development Department convened a Technical Advisory Committee to discuss the development and implementation of a “rental registry” ordinance, as directed by the City Council. Thank you for the inclusion of the Salinas Valley Chamber of Commerce in that advisory committee.

Under the leadership of Community Development Department staff, particularly Director Megan Hunter, the committee worked toward creating an ordinance with language that all parties could accept as a reasonable compromise. We believe an acceptable compromise has been achieved.

This ordinance is a strategy for housing, not a solution in itself. The Chamber strongly encourages the Mayor and City Council to move beyond verbal commitments and make an aggressive effort to increase the supply of housing that ordinary people can afford.

While the City of Salinas is transparent about its progress with the Regional Housing Needs Allocation (RHNA) in the Housing Element of its General Plan - and has performed much better than many other Monterey County local governments - the achievements are still well short of the goals. Regrettably, the City Council (and the public) only gets to see these shortcomings once a year, when the city submits its mandatory data to the state. See the attached table.

Increasing the housing supply needs to move beyond state-funded permanent supportive housing and random, speculative proposals from private developers that come on infrequent occasions. It requires leadership and responsibility for seeing the transformation of the city's blighted, underused, and vacant parcels into assets for the community.

The Chamber supports the hiring of an Economic Development Director who can act as a comprehensive thinker and visionary in that position. This person should be someone who reports directly to the City Manager, not a technocrat who fills out grant applications and government forms as a cog in a sprawling operation. This person should be working with every city council member to identify the parcels in their districts that should be targeted for activation.

Also, the Mayor and City Council should be aware that the Chamber's neutrality on these new Rental Registry fees and regulations is conditional. If the Chamber sees parties exploiting the registry for "shakedown" purposes or sees the rental registration fee revenue diverted for purposes unrelated to identifying and rectifying unsafe and substandard rental housing, we will present the evidence and demand repeal of the ordinance.

In addition, the Chamber recommends that the Mayor and City Council wait to see measurable, data-based results of this rental registry program before imposing additional fees and regulations on property owners who rent their properties.

The Chamber supports "a thriving, welcoming Salinas Valley where people, families and businesses succeed via economic growth and opportunity." This includes accountability for property owners and justice for tenants. We hope this ordinance flushes out landlords in the City of Salinas who take advantage of tenants by providing them with unsafe and substandard housing conditions.

Sincerely,

A handwritten signature in cursive script that reads "Bill Hastie".

Bill Hastie  
Chairman of the Board of Directors

**City of Salinas Regional Housing Needs Allocation (RHNA) Progress  
2015-2023 Housing Element (5th Cycle)**

Income Category	RHNA Goal	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total Units to Date	Total Remaining Units	% Achieved
Very Low	537	21	24	50	42	0	0	88	0		225	312	42%
Low	351	20	16	0	53	8	0	1	0		98	253	28%
Moderate	407	6	1	3	0	0	0	0	0		10	397	2%
Above Moderate	934	142	52	25	71	100	210	189	139		928	6	99%
<b>Total RHNA</b>	<b>2,229</b>	<b>189</b>	<b>93</b>	<b>78</b>	<b>166</b>	<b>108</b>	<b>210</b>	<b>278</b>	<b>139</b>		<b>1,261</b>	<b>882</b>	<b>57%</b>



**From:** [Gloria Moore](#)  
**To:** ["Christopher Callihan"; "Lisa Brinton"](#)  
**Subject:** Another Player in the Rent Capping Arena  
**Date:** Monday, April 8, 2024 12:53:31 PM  
**Attachments:** [scan\\_20240408113004.pdf](#)

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TO ALL:

Here is another player in the rent capping arena.  
I am expecting more players to keep arriving.

Gloria J. Moore  
Advocate for Common Sense

**From:** [Krystal Lazcano](#)  
**To:** [Christopher Callihan](#)  
**Cc:** [Araceli Jacinto](#)  
**Subject:** FW: Comments on the City of Salinas Draft Rent Stabilization Ordinance  
**Date:** Friday, August 2, 2024 4:13:34 PM

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Note sure if you need to see this, it came through the legal web mail.

-Krystal

-----Original Message-----

From: Alan Stumpf <bigal3889@aol.com>  
Sent: Friday, August 2, 2024 4:06 PM  
To: \_legalwebmail <legalwebmail@ci.salinas.ca.us>  
Cc: housingwebmail <housingwebmail@ci.salinas.ca.us>; Larry Bussard <larrybussard299@gmail.com>; Rhiyan Quiton <rquiton@interiminc.org>  
Subject: Comments on the City of Salinas Draft Rent Stabilization Ordinance

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Thank you for this opportunity to comment on the draft ordinance. I am a long-time owner of a duplex rental (that was formerly my residence) in an older Salinas neighborhood, and I am also a former City employee and former department head of the Redevelopment and Community Development Departments. Having reviewed the proposed rent stabilization ordinance and attended the the community meeting on August 1, I have a few questions that I felt were not adequately answered in the presentation. I also have strong suspicions that this ordinance would be a huge regulatory burden on the City, a cumbersome and expensive financial burden on a selected few landlords, and provide too-little benefit to low-income residents needing rent relief. Further, ordinances of this type are very much in the experimental phase and, in the long run, will likely have unforeseen, negative consequences for the City as a whole.

The first question involves how the determination was made for which rental units would be subject to the proposed ordinance, and those that would not. Based on the presentation from EPS, slightly more than one third of rental units (and only one fifth of all housing units) would be subject to the Ordinance. This means that only the oldest rental units in the City would bear the burden of ordinance requirements, while the vast majority of rentals would not. The 1995 cutoff date seems arbitrary, as does the exclusion for renting single family homes. Placing such a burden only on owners of the oldest units in the City thus seems arbitrary, capricious, and wholly against providing fair and equitable treatment of housing throughout the City. The EPS analysis should further evaluate how many of the units subject to the ordinance are actually charging very high rents; its analysis is only based on averages. As noted at the meeting, its analysis is also based on economic data and assumptions that are several years old and it did not create any original research data for the City.

Ultimately, the few low income families who will actually benefit from the ordinance will be like winners of a slow-evolving lottery, rewarded on the one hand, perhaps, with lower rent over time, but on the other hand, they will likely remain in units long past when, in an unobstructed market, would turn over as family living conditions change. This is indicated as a benefit in the EPS analysis. However, some examples of how this could play out in the long term - 1. A family moves into a 3 bedroom unit at a price affordable for them; over time the children grow up and move out, leaving more bedrooms empty. Despite being "overhoused", the tenant will continue to stay because of the below-market rent. The ordinance, in the long run, is not only an incentive for tenants to stay longer, but would also lead to less housing available for families in the community, as that tenant remains under-housed. This has been observed in many of the older, rent-subsidized, multifamily developments in the City. 2. In my own case, rents for my two units are well below market, but they are also very old and often in need of capital repairs and maintenance. While the ordinance allows for increased rents for such purposes, the ordinance's approval process to increase rent accordingly, is very cumbersome and will likely add significantly to costs and time to effect the

improvements. This becomes a big disincentive to effect needed repairs and maintenance, and would likely delay those repairs (for many landlords) until they become health and safety issues. This leads to older neighborhoods having less landscaping maintained, more peeling paint, more missing shingles, more broken fences and pavement, and overall less investment in those older neighborhoods; in effect, leading to more blighted older neighborhoods. This isn't an overnight effect, but rather one that is akin to the "broken window syndrome", that slowly leads a neighborhood into disrepair and blight.

I do not deny that rents have become outrageously high in Salinas and some unscrupulous landlords have taken advantage of many low-income renters in our community. Shame on them. However, the ordinance does not address outrageous rents prior to 2024, and higher baseline rent will only continue for those landlords- and can only continue upward after the new ordinance. Meanwhile, most rental units in the City -those built after 1995 and others exempt from the ordinance, will enjoy significantly higher rents each year and over time. This increases disparity and disinvestment in the older parts of the City (i.e. concentrated in and around the downtown, and parts of East and North Salinas) versus newer areas. Is this what the City wants - to accelerate disinvestment in these older neighborhoods?

In summary, the ordinance seems "too little, too late" to benefit any but a very few, very lucky, renters, only some of whom may be low-income, while putting in place a very cumbersome and expensive, untested City-wide apparatus for regulation - expensive both for landlords and the City budget (unless adoption of higher fees, of course). The ordinance discourages private investment in older development and neighborhoods, and thus in the long run promotes blight in those neighborhoods.

I would recommend proceeding cautiously, and waiting to see the longer term results of this type of ordinance in other cities of similar size and demographics - this ordinance is an experiment that the City of Salinas needs to get right - the first time, and currently there are too many unknown, unintended consequences, with benefits for too few low income families. I know that the City has long suffered from an unaffordable housing market, and I encourage the City to increase investment in affordable housing developments with for-profit and non-profit partners, leveraging their expertise and financial resources. The City's (and former Redevelopment Agency's) partnering with nonprofits such as CHiSPA, Interim Inc. and the Housing Authority has resulted in development of thousands of permanently affordable rental units in the City. These provide guaranteed affordable rents specifically for low income families, and they also leverage City funding with state and federal programs to assist those developments and residents.

As for me, maybe adoption of this ordinance is a signal for a new family to come along and purchase my old duplex, that will likely result in my long-time tenants needing to move on and presumably face much higher rents elsewhere. I don't wish to disrupt their lives, but It's that or be subject to increasingly burdensome regulation benefitting neither myself nor my tenants.

Sincerely,

Alan Stumpf

**From:** [Patricia Barajas](#)  
**To:** [Christopher Callihan](#)  
**Subject:** Fw: Opposition to rent stablization ordinance  
**Date:** Wednesday, August 7, 2024 10:20:01 AM

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**Patricia M. Barajas, CMC**  
City Clerk

City of Salinas  
200 Lincoln Avenue  
Salinas, California 93901  
(831) 758-7383

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**From:** susan wang <susansunwang@yahoo.com>  
**Sent:** Tuesday, August 6, 2024 10:26 PM  
**To:** cclerk <cclerk@ci.salinas.ca.us>; Mayor <mayor@ci.salinas.ca.us>; \_district1 <district1@ci.salinas.ca.us>; \_district2 <district2@ci.salinas.ca.us>; \_district3 <district3@ci.salinas.ca.us>; \_district4 <district4@ci.salinas.ca.us>; \_district5 <district5@ci.salinas.ca.us>; \_district6 <district6@ci.salinas.ca.us>  
**Subject:** Opposition to rent stablization ordinance

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Dear all city council members:

My name is Susan Wang, I am writing as a house provider in Salinas to voice my objection against the proposed rent stabilization ordinance in Salinas.

My husband and me are over 65 years old relying on rental income to support and cover the expenses of my and my husband's retirement living costs. We are hardworking people and have poured our life savings into investing in income property in Salinas, hoping that it will help to supplement our retirement income. Since the pandemic, the cost to maintain properties has gone up tremendously due to inflation, supply chain issues and even insurance and utilities bills have gone up. It is already hard to provide safe and decent housing for our tenants based on the current rent increase allowed by the State of California. If the city is going to adopt the rent stabilization ordinance in Salinas and limit rent increase to cap at 2.5-3%, it will leave house providers with noreasonable return of investment, hence limiting our ability to maintain safe and good housing environments for tenants.

Furthermore, this rent stabilization will limit the real estate potential in Salinas. Developers or multiunit housing will cease to invest in Salinas. Investors will not want to invest and hence the overall real estate value of Salinas will drop tremendously. This will eventually impact the economy of the community and

driving people, whether tenants or homeowners, to move out. Salinas will turn from a community to a dead city.

As taxpayers and house providers, I urge the city NOT to pass the rent stabilization ordinance.

Thanks so much!

**From:** [GMRealtors](#)  
**To:** [PublicComment@ci.salinas.ca.us](mailto:PublicComment@ci.salinas.ca.us)  
**Cc:** [gmrealtors@att.net](mailto:gmrealtors@att.net)  
**Subject:** FW: RENT STABILIZATION AND TENANT PROTECTION  
**Date:** Monday, October 23, 2023 3:48:01 PM

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Mayor & Council:

We all can agree that the statewide housing crisis is almost without a plausible solution. Attainable housing is at a current low with interest rates at a current high.

The market-place is under constraints that slow or eliminate new construction. Residents' static wages are not rising to the current inflationary costs of goods and services.

In my 43-year association with Salinas's real estate, the market place has under-valued the need for more rental housing - be it apartments or other styles of rental housing.

Short periods of housing growth get suppressed by long periods of housing growth mired in regulations and unreasonable demands that inhibit growth in supply.

Vacancy rates within a marketplace are the controlling factor for setting rents. Supply v. Demand Available housing for sale at all levels determine the costs to purchase.

All this being affected by the regional marketplace.

The old planning practices of a local jobs/housing balance disappeared years ago when it quickly moved toward regional outcomes. Can this trend be reversed so that a city such as Salinas can actually build for our **local** needs?

What has happened in the renter/rental property balance? Local government should be encouraging local investments in a solid rental inventory. Our locally-owned, small-scaled landlords are being squeezed out by inflation, non-resident investors, and government interference in private property rights.

My point of view is that we all have become victims in this housing crises.

Thank you for allowing me time in your busy schedules.

Gloria J. Moore  
Broker/Owner  
GLORIA MOORE, REALTORS®

**From:** [Patricia Barajas](#)  
**To:** [Christopher Callihan](#)  
**Subject:** Fw: Rent Stabilization Ordinance  
**Date:** Monday, August 12, 2024 9:28:59 AM  
**Attachments:** [Salinas City Letter Rent Cap .docx](#)

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**Patricia M. Barajas, CMC**  
City Clerk

City of Salinas  
200 Lincoln Avenue  
Salinas, California 93901  
(831) 758-7383

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**From:** amandaliang88@gmail.com <amandaliang88@gmail.com>  
**Sent:** Sunday, August 11, 2024 10:55 PM  
**To:** cclerk <cclerk@ci.salinas.ca.us>; Mayor <mayor@ci.salinas.ca.us>; \_district1 <district1@ci.salinas.ca.us>; \_district2 <district2@ci.salinas.ca.us>; \_district3 <district3@ci.salinas.ca.us>; \_district4 <district4@ci.salinas.ca.us>; \_district5 <district5@ci.salinas.ca.us>; \_district6 <district6@ci.salinas.ca.us>  
**Subject:** Rent Stabilization Ordinance

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Sent from my iPhone

**From:** [Krystal Lazcano](#)  
**To:** [Christopher Callihan](#)  
**Subject:** FW: Rent Stabilization Ordinance  
**Date:** Friday, August 9, 2024 12:14:35 PM  
**Attachments:** [Rent Stabilization Ordinance Letter\\_08.09.2024.pdf](#)

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Here you go.

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**From:** greg@piinirealty.com <greg@piinirealty.com>  
**Sent:** Friday, August 9, 2024 11:59 AM  
**To:** housingwebmail <housingwebmail@ci.salinas.ca.us>  
**Cc:** \_legalwebmail <legalwebmail@ci.salinas.ca.us>; Rene Mendez <renem@ci.salinas.ca.us>  
**Subject:** Rent Stabilization Ordinance

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Messrs. Callahan and Mendez,

Please consider the attached letter regarding the proposed Rent Stabilization Ordinance.

Sincerely,

Greg Piini, MAI

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Piini Realty, Inc.  
263 Lincoln Avenue  
Salinas, CA 93901  
Work: (831) 422-5327x101  
Cell: (831) 596-5763  
Email: [greg@piinirealty.com](mailto:greg@piinirealty.com)



**From:** [Patricia Barajas](#)  
**To:** [Christopher Callihan](#)  
**Subject:** Fw: Rent Stabilization Ordinance  
**Date:** Friday, August 9, 2024 1:26:39 PM

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**Patricia M. Barajas, CMC**  
City Clerk

City of Salinas  
200 Lincoln Avenue  
Salinas, California 93901  
(831) 758-7383

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**From:** Craig Coming <craig@mangoldproperties.com>  
**Sent:** Friday, August 9, 2024 12:25 PM  
**To:** cclerk <cclerk@ci.salinas.ca.us>; Mayor <mayor@ci.salinas.ca.us>; \_district1 <district1@ci.salinas.ca.us>; \_district2 <district2@ci.salinas.ca.us>; \_district3 <district3@ci.salinas.ca.us>; \_district4 <district4@ci.salinas.ca.us>; \_district5 <district5@ci.salinas.ca.us>; \_district6 <district6@ci.salinas.ca.us>  
**Subject:** Rent Stabilization Ordinance

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Dear Representatives,

As one of the largest property managers in Salinas, I am very discouraged that at no point has anyone from the City of Salinas, the Mayors office, or anyone from City Council contacted me, or other property managers, to learn and educate themselves on how landlords are doing in the current economy and rental market. If you would have, you would learn that the cost of running a rental property has drastically increased with inflation and other reasons. The costs to own rental properties are increasing at a dramatic rate. As you know, sewer rates are going up 122% from 2021 to 2026, water rates are skyrocketing, insurance rates have gone up 20-30% in one year, etc. We have maintenance vendors raising their rates because they are in high demand and cannot find employees to do the work. A water heater that cost \$460 five years ago now cost \$865-899. To maintain the properties at an acceptable level, owners are spending much more than they ever have. The operating costs have been increasing at higher rates than the rent increases. The other problem is that the buildings are aging and need major capital improvements. Most of the rental properties in Salinas were built over 50 years ago. Now when we have a vacancy it is common to spend \$15,000-\$25,000 doing upgrades to the unit. That mixed with new roofs, termite fumigations, new driveways, electrical panel upgrades, etc., the costs are higher than ever. We even need to fix the City Sidewalks when they fail.

Raising rents is a responsible way to maintain properties and improve the quality of our cities.

Do I think there have been some landlords that have raised rents irresponsible, yes. Do I care about the residents of Salinas, absolutely yes. Mangold Property Management has been managing apartments in Salinas for over 40 years and we feel like we have contributed to the quality of the neighborhoods where we manage. My goal has always been to provide the cleanest, safest, and best maintained rentals in Salinas. This is why we have convinced the owners we manage for to invest so much money into these properties. This ordinance will change the way we manage these properties. This is a real concern and the hundreds of owners I manage for feel attacked.

I believe you have the best intentions in mind. But the presentation on August 1<sup>st</sup> was misleading. The main factor is the current inflationary economy we have been in. None of the data that is being used is taking into consideration that there is a drastic increase in the cost to run these properties over the last 5 years and more particularly in the last 2 years. In the presentation they stated that “The empirical evidence dispels many of the concerns..” about the “Moderate” Rent Stabilization Ordinance. A 2-3% cap on rent increases is not Moderate. This would be one of the most restrictive ordinances in the country. This is a severe ordinance you are considering. The concerns that property values will go down, that it will reduce supply, reduce maintenance, and result in inflated rents are all real concerns, especially in our current economy. They suggest a 65-85% of CPI rent increase cap. This is absurd. To consider an ordinance that does not even give a cost-of-living increase will bring all those concerns to reality. On the list of positives of the ordinance they listed Reduced demand for social services and an increase in discretionary income which helps boost local economy. These positives are taking private ownership, turning it into subsidized housing, to apparently help the local economy. This would only be fair if the government reimbursed the private landlords for the subsidy. Just like Section 8 properties.

You are considering an attack on landlords without looking at any other part of the equation of poverty and housing costs. You are not considering a higher minimum wage, you are not talking about putting a cap on the expenses landlords incur, you are not talking with landlords at all.

I encourage any of you to reach out to me so that I can show you and educate you on the reality of what we are dealing with. Any less would be irresponsible.

My door is open to discuss this any time.

Sincerely,

---

***Craig Coming***  
*President, Broker Lic#01258178*  
Mangold Property Management, Inc.  
[craig@mangoldproperties.com](mailto:craig@mangoldproperties.com)

Office: (831) 372-1338 Ext. 107 Fax: (831) 372-1488

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**Mangold Property Management**  
*Putting people and places together*  
575 Calle Principal • Monterey, California 93940 **831.372.1338**

**From:** [Krystal Lazcano](#)  
**To:** [Christopher Callihan](#)  
**Subject:** FW: rent stabilization ordinance  
**Date:** Monday, August 12, 2024 8:23:03 AM

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**From:** Jeff LaTourette <golfbuilders@yahoo.com>  
**Sent:** Saturday, August 10, 2024 3:58 PM  
**To:** \_legalwebmail <legalwebmail@ci.salinas.ca.us>  
**Cc:** Tony Lombardo <tony@alombardolaw.com>  
**Subject:** rent stabilization ordinance

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Hello, I am sending in comments on the proposed rent stabilization ordinance. Below are my comments.

1. CEQA requires evaluation and mitigation of impacts to historic resources. There would be significant impacts to historic apartments in Salinas. This ordinance will limit the resources for property owners to maintain the historic resource. Historic resources should be exempt from the ordinance.
2. Section 17.02.04 limit on rental rate increases. This amount needs to be set at a limit that will allow property owners the ability to maintain and operate their properties. With rising costs such as insurance, material and labor for repairs and general maintenance it should be at least 5%. And for older buildings it should be even more as older building require more maintenance and repairs.
3. sec 17.02.07 (c) landlord may not charge for utilities unless separately metered. This is in the landlord petition for rent increase section. Many older units do not have the ability to separately meter utilities. It is not equitable to allow units who have separate meters to charge and units (mostly older) who don't not to charge. Many landlords do not include the master metered utilities in the rent and bill separately so each tenant pays their fair share of the utilities.

**From:** [Patricia Barajas](#)  
**To:** [Christopher Callihan](#)  
**Subject:** Fw: Rental Regulations proposed  
**Date:** Thursday, August 1, 2024 10:30:15 AM

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**Patricia M. Barajas, CMC**  
City Clerk

City of Salinas  
200 Lincoln Avenue  
Salinas, California 93901  
(831) 758-7383

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**From:** Pete Deoudes <petedeoudes@yahoo.com>  
**Sent:** Wednesday, July 31, 2024 5:15 PM  
**To:** \_district3 <district3@ci.salinas.ca.us>; cclerk <cclerk@ci.salinas.ca.us>  
**Subject:** Rental Regulations proposed

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Hello Mr. Valenzuela,

I was recently sent the following notice:

"Update: Salinas Rent Stabilization Ordinance

The exact details are not finalized yet, but it is likely that the City of Salinas will pass the Rent Stabilization and Tenant Protection ordinance on August 20. This will probably include a cap on rent increases of 2-3% per year, with no adjustment for CPI."

As a long time owner, with a partner, of 10 rental units in Salinas I cannot understand the logic or constitutionality of this proposal. Whoever did propose this has no understanding of what is involved in successfully maintaining rental units. Margins are tight enough as it is, and now we are expected to accept returns, not only below market rates, but well below the average rate of inflation the last 4 years? Not to mention the cost of insurance, materials, and service providers...unless those prices will be limited by the city of Salinas to 2-3% per year as well?

I guarantee that this action will result in a certain decline in rental quality as owners cannot afford to maintain their properties with such an artificially low return. Multi-unit property values will decline based on artificially limited income, resulting in less property tax revenue to the city, tenants will suffer with rentals that are not maintained due to lack of funds, and the availability of units will lessen by lowering the incentive for development of additional units.

The city has never shared in the tremendous risk that private citizens took to invest in rental housing. Most of us exposed ourselves to financial ruin to take a chance and become income property owners. Now the city is expecting private citizens to subsidize public housing by forcing us to operate professionally maintained rentals at a financial loss?

Such an ordinance may "sound good" to renters, but will actually make their situation worse for the reasons I have stated, but that does not appear to be a concern for most politicians in recent years. Just as the "fast food minimum wage law" has resulted in more automation and thousands of workers losing

their jobs, pandering measures by politicians have driven a record number of businesses and people out of state. Having been born in Salinas, I am saddened to see the city follow down the same anti-business, and counterproductive path. Perhaps you, or members of your family operate a business. I would suggest you ask them how the city, arbitrarily and severely restricting what they could charge for whatever they produce, would impact them.

Pete Deoudes

**From:** [Hap Albers](#)  
**To:** [chrisc@ci.salinas.ca.us](mailto:chrisc@ci.salinas.ca.us)  
**Cc:** [Hap Albers](#)  
**Subject:** Fw: Salinas Rent Control  
**Date:** Monday, April 29, 2024 9:02:32 PM

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Hello Salinas City Government Representatives:

Rent control is a concept that sounds great and will definitely help you get reelected. It also has many unintended consequences that will ultimately hurt the City of Salinas, as it has San Francisco, Berkeley, and Oakland.

My background is apartment building sales since 1998. I have sold 200+ buildings, including 37 complexes in Salinas. Prior to selling commercial real estate, I worked as a sales representative in San Francisco for Old Republic Title Company - I was able to see the non-tourist areas and the many dilapidated apartment complexes. I have sold apartment complexes in Oakland and there are a lot of dilapidated apartment complexes in Oakland. San Francisco and Oakland have similar rent control to what is being proposed for Salinas.

What will happen with rent control in Salinas:

Tenant side:

1. Tenants will have locked in rent increases at whatever percentage the city council decides is equitable and fair.
2. The housing supply will not increase because there is no longer an incentive to construct new housing, including ADU's, redevelopment, and perhaps, the many parcels in the northern section of the City. One of my customers has decided to not construct ADU's on his property because of this ordinance.
3. As the building and neighborhood quality declines, the bad violence from the past could return. I pray this does not happen. This scenario is not needed in Salinas - it already has a bad reputation.
4. If the Costa Hawkins ballot measure succeeds and the City applies rent control to homes, then there will be many rental homes sold to owner occupants, further constricting the rental supply.

Landlord side:

1. Most apartment complexes have expense ratios which use 35%-45%+ of the collected income for operating expenses. Mortgage loan debt can add another 50%-65% leaving very

little profit on a large down payment investment. These are not lucrative investments and come with constant repair issues, people issues, and legal risk from property management. The owner has purchased a second job.

Most multi-family owners are experiencing a sharp cost increases due to insurance, insurance required repairs for roofs, electrical panels, sewer line replacement, water line replacement, all building materials, labor costs, and the simple fact that most apartment complexes were constructed from 1950-1980 - they are now old buildings. It flat out costs a lot more to operate an apartment complex today than it did two or three years ago and it will continue to increase because of the repairs previously mentioned.

One of my customers' insurance premiums went from \$12,000 to \$55,000 for a lot less coverage - just fire insurance only - no liability insurance for trip and fall down the stairs. 450% increase. This is not uncommon.

Another customer is being forced to replace roofs or lose insurance coverage.

Another customer is being forced to replace all electric panels - main and subpanels. This is very common.

2. The owners will not be able to increase rents at inflation or greater. This results in lower revenue and less money to cover repairs, insurance, debt service, and other expenses.

3. Eventually, the owner will begin to let the building quality decline because their expenses will grow faster than rents.

4. Then they get in trouble with code enforcement but have less money to spend.

5. They also will have to get on their knees to plead for rent increases to cover capital improvements after they are completed. Good luck with that

6. Maybe they will sell the property. The new buyer will have the same problem - rents have to grow at inflation or greater to cover expense inflation. Very simple. They will also have higher property taxes.

7. The eventual result is building quality will decline, they will sell for less, and the property taxes, which I believe the City of Salinas benefits from at some level, will not increase as rapidly as many in the budget department are planning. You should also expect the property owners to petition the county tax assessor for a property tax reduction.

8. For the owner, the day this rent control ordinance passes at less than 5% annual rent increases, the entire City of Salinas multi-family inventory value drops 20% plus or roughly \$40,000 to \$50,000 per unit.

9. Back to Costa Hawkins: If the ballot measure succeeds, then the owner's financial math gets worse if rents are not allowed to be increased to market rates when a voluntary vacancy occurs. Values drop further for every California apartment complex if



Costa Hawkins is rescinded and there will be a lot fewer constructed, regardless of any rent control exemption window. This is a bad ballot measure.

Going forward: Rent control is easy to pass. Is it smart to do so is very questionable. If you do pass it, the annual rent increase minimum should be no less than the Bay Area CPI index plus 1 to 2%. San Jose has 5% annual rent increases. This is fair to both parties.

The scenarios in the tenant side are all very possible outcomes. There will be unintended consequences - there always are when the government tries to engineer solutions to housing. The problem is supply and solutions need to be focused on more housing and rewarding those with the financial courage to provide it.

Thank you for taking the time to read this email. I would enjoy the opportunity to talk with you folks regarding rent control and how to create more housing in Salinas and the Central Coast.

Hap Albers  
Owner / Broker  
Albers Real Estate  
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408.893.6002 Cell  
DRE#: 01006596  
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**Subject:** Fwd: Rent Control by a different name  
**Date:** Sunday, October 22, 2023 5:23:47 PM  
**Attachments:** [20231022165002965.pdf](#)

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Please respond to this email if you are interested in being free, and limiting government authority.

Chuck

The Government has many valuable services, RULING the public is not one of them.

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Chuck

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**From:** [Patricia Barajas](#)  
**To:** [Christopher Callihan](#)  
**Subject:** Fwd: What Rent Control will do to Salinas?  
**Date:** Tuesday, August 13, 2024 9:37:50 AM

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**From:** Hui Qian <hqian1@gmail.com>  
**Sent:** Tuesday, August 13, 2024 5:55:43 AM  
**To:** cclerk <cclerk@ci.salinas.ca.us>; Mayor <mayor@ci.salinas.ca.us>; \_district1 <district1@ci.salinas.ca.us>; \_district2 <district2@ci.salinas.ca.us>; \_district3 <district3@ci.salinas.ca.us>; \_district4 <district4@ci.salinas.ca.us>; \_district5 <district5@ci.salinas.ca.us>; \_district6 <district6@ci.salinas.ca.us>  
**Subject:** What Rent Control will do to Salinas?

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Swedish economist Assar Lindbeck famously said, **“rent control appears to be the most efficient technique presently known to destroy a city — except for bombing.”**

Look at San Francisco! Look at Oakland! What happened there after they put in rent control?

I am a retired senior citizen and have poured my life savings into investing in income property in Salinas, hoping that it will help to supplement my retirement income. Since the pandemic, the cost to maintain properties has gone up tremendously due to inflation, supply chain issues and even utility bills have gone up a lot. **The reality is: It is already hard to provide safe and decent housing for our tenants based on the current rent increase allowed by the State of California.**

**The city is going to cap rent increase at 2.5-3%, while the insurance cost has more than doubled since the pandemic, and it is still increasing in double digits, what would you do in this situation?**

This rent stabilization will limit the real estate potential in Salinas. Developers or multiunit housing will cease to invest in Salinas. Investors will not want to invest and hence the overall real estate value of Salinas will drop tremendously. This will eventually impact the economy of the community and driving people, whether tenants or homeowners, to move out. Salinas will turn from a community to a dead city.

As a taxpayer and a housing provider, I urge the city to reject the rent stabilization ordinance.



**From:** [Todd Dudley](mailto:Todd.Dudley)  
**To:** [PublicComment@ci.salinas.ca.us](mailto:PublicComment@ci.salinas.ca.us)  
**Subject:** Homeowner Input for Record for Salinas City Council Meeting of 24 Oct 23 // Opposition to Rent Control  
**Date:** Monday, October 23, 2023 5:35:48 PM

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Dear City Council Members,

I am a California native and homeowner-landlord in Salinas and am writing to ask you to OPPOSE rent control in our beautiful city.

**Inflation: Causes the Housing Problem.** As you are aware, the high interest rates seen in the mortgage market today are a direct result of government spending, which increases M1 money supply in economy and causes prices to rise. To counter the effect of government spending, the Fed then increases the fed funding rate, which pulls this same money out of supply by raising interest rates (to include mortgage rates offered by banks to prospective homeowners). Due the high interest rates present while trying to curb inflation, government spending thus significantly contributes to the lack of affordable housing at a time when supply of rental properties is already limited. Imposing further rent controls during already-high inflation (and consequent high rental demand) thus destroys any remaining market incentive available that would serve to increase the supply of rental homes. Price controls will make the housing problem worse; government spending needs to be curtailed.

**Rent Control: Accelerates the Problem.** While rent control sounds like a humanitarian solution to the above problem, it attacks and in fact punishes the wrong elements that contribute to an affordable housing market. In fact, rent controls will make the housing crisis worse, as they destroy any remaining market incentive available that would serve to increase the supply of rental homes. For people that already cannot contemplate the purchase of a home in Salinas, the rental market worsens in the short term and then completely evaporates in the long term. Rent control will accelerate the housing crisis, a crisis best solved by less government spending, resulting lower interest rates, and more lending/construction/economic activity in the private sector.

**Bottom line: High Government Spending Causing Inflation, Plus Government Rent Control to Fix It = Long Term Damage to Salinas' Housing Market, and to our Beautiful City.**

Thank you,

Todd Dudley  
Homeowner  
19386 Acclaim Dr  
Salinas, CA 93908



**From:** [Vanessa Nguyen](#)  
**To:** [andrews@ci.salinas.ca.us](mailto:andrews@ci.salinas.ca.us); [anthonyr@ci.salinas.ca.us](mailto:anthonyr@ci.salinas.ca.us); [tonyb@ci.salinas.ca.us](mailto:tonyb@ci.salinas.ca.us); [orlandoo@ci.salinas.ca.us](mailto:orlandoo@ci.salinas.ca.us); [chrisc@ci.salinas.ca.us](mailto:chrisc@ci.salinas.ca.us); [kimbleyc@ci.salinas.ca.us](mailto:kimbleyc@ci.salinas.ca.us); [steveca@ci.salinas.ca.us](mailto:steveca@ci.salinas.ca.us); [lisab@ci.salinas.ca.us](mailto:lisab@ci.salinas.ca.us)  
**Date:** Sunday, April 7, 2024 11:29:20 AM

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**Here some of the key concerns I have regarding this ordinance:**

1. Decrease in housing stock due to landlords' inability to navigate new regulations or afford housing provision.
2. Annual rental increases burdening tenants.
3. Lack of understanding regarding the high costs of property maintenance.
4. Challenges in recovering funds from tenants who damage property.
5. Potential for a housing crisis similar to that experienced in certain European cities. I believe that constructive dialogue and collaborative efforts are essential in addressing these concerns.

**Therefore, I propose the following solutions for consideration:**

1. Formation of small groups comprising landlords, property managers, builders, and tenants to discuss the issue.
2. Streamlining the housing development process by reducing regulatory barriers and associated costs.
3. Regulate the Monterey County Housing annual increases. Most property managers and landlords mirror their rates to them
4. Temporary rent subsidies to alleviate immediate financial burdens on tenants.
5. Exploration of municipal low-income housing initiatives.
6. Streamlined processes for converting vacant commercial spaces into housing units.
7. Provision of interruption services through the City to address disputes and for leases.

8. Enforcement of existing state rent control laws by mirroring them at the municipal level.

9. Ensuring equitable distribution of responsibilities between landlords and tenants.

10. Establishment of a task force to address issues related to substandard housing while supporting responsible landlords.



Monterey County Association of Realtors®  
5 Harris Court, Building A  
Monterey CA, 93940

October 24, 2023

Mayor Kimbley Craig  
Councilmember Tony Barrera  
Councilmember Carla Viviana González  
Councilmember Steve McShane  
Councilmember Orlando Osornio  
Councilmember Anthony Rocha  
Councilmember Andrew Sandoval

Re. Agenda item 23-648: Rent Stabilization and Tenant Protection

Honorable Mayor and City Councilmembers,

Now is the time to seek collaborative, innovative, and pro-housing solutions to our housing availability and affordability crisis. This is especially true for rental housing; renters are in need to help and we agree steps must be taken to do so. However, policies that divide our community, punish housing providers, and disincentivize growth in housing will achieve the opposite.

**Consistent with other recent changes to City housing policies, we request that these policy proposals:**

- 1. Be referred to the Technical Advisory Committee on housing for expert input including tenants right advocates, and..**
- 2. That no fewer than six (6, one in each district) public meetings , hearings, or workshops be held to gather community input.**

Enhance tenant protections were recently signed into law by Governor Gavin Newsom, and go into effect in January. Changes to how State and local government administer rental pricing regulations are expected to be on the November 2024 ballot. **In light of these upcoming or**

**anticipated changes to State policy, it does not make sense to pursue local policies which may turn out to be redundant, contradictory to, or otherwise in conflict with State law.**

Additionally, the City's rental registry program is incomplete. Earlier this year members of the council supporting the registry expressed a desire to see data from the registry in order to better inform further policy decisions. The registry has just barely been implemented, there has been minimal communication from the City to property owners about this requirement. We were promised an online portal where property owners and managers could log in and manage and update the registration of their units. Instead what we have is a Google Form, which is free to create, and cannot be updated. This begs the question, what was the \$400,000 budget for the rental registry spent on, and what are the fees charged to landlords and tenants being used for? Given these facts and unanswered questions, **it is not reasonable to build further punitive policies based on incomplete data from a program that was not implemented as promised.**

The renters of Salinas cannot afford to be the subjects of policy experiments, especially when past policy experiments of this nature have proven harmful to renters. We cite the following, peer reviewed studies as evidence (attached for the Council's convenience and for the public record).

Research by Konstantin A. Kholodilin & Sebastian Kohl, published in the International Journal of Housing Policy (Feb., 2023), studies data from numerous regions and found the following:

The (re-)introduction of tenancy regulation in the form of rent controls, tenant protection or supply rationing is back on the agenda of policymakers in light of rent inflation in many global cities. While rent controls promise short-term relief, economists point to their negative long-run effects on new construction. This study presents new long-run data on both rent regulation and housing construction for 16 developed countries (1910–2016) and finds that **more restrictive rental market legislation generally has a negative impact on both new housing construction and residential investment.**

Furthermore, research by Rebecca Diamond, Tim McQuade, and Franklin Qian, published in the American Economic Review (Sep., 2019) examines the effects of rent control in San Francisco. Abstract:

Using a 1994 law change, we exploit quasi-experimental variation in the assignment of rent control in San Francisco to study its impacts on tenants and landlords. Leveraging new data tracking individuals' migration, we find rent control limits renters' mobility by 20 percent and lowers displacement from San Francisco. **Landlords treated by rent control reduce rental housing supplies by 15 percent by selling to owner-occupants and redeveloping buildings. Thus, 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.**

**We request that the Council take the time to consider this evidence, gather expert testimony through the TAC, and seek public feedback through meetings accessible to all community members.** This will ensure policies are created with due diligence and as much relevant data as possible. Furthermore this will provide time for the rental registry to collect a more complete dataset, and for everyone to better understand how new State laws will affect rental housing.

Sincerely,

A handwritten signature in black ink, appearing to read 'Adam Pinterits', written over a horizontal line.

Adam Pinterits

Government & Community Affairs Director  
Monterey County Association of Realtors®



## Do rent controls and other tenancy regulations affect new construction? Some answers from long-run historical evidence

Konstantin A. Kholodilin & Sebastian Kohl

**To cite this article:** Konstantin A. Kholodilin & Sebastian Kohl (2023): Do rent controls and other tenancy regulations affect new construction? Some answers from long-run historical evidence, *International Journal of Housing Policy*, DOI: [10.1080/19491247.2022.2164398](https://doi.org/10.1080/19491247.2022.2164398)

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# Do rent controls and other tenancy regulations affect new construction? Some answers from long-run historical evidence

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## ABSTRACT

The (re-)introduction of tenancy regulation in the form of rent controls, tenant protection or supply rationing is back on the agenda of policymakers in light of rent inflation in many global cities. While rent controls promise short-term relief, economists point to their negative long-run effects on new construction. This study presents new long-run data on both rent regulation and housing construction for 16 developed countries (1910–2016) and finds that more restrictive rental market legislation generally has a negative impact on both new housing construction and residential investment. This is especially true for strict rent controls and housing rationing measures in the post-1960 period. Tenancy security can on average also dampen construction activity. The negative effect is overall less significant and strong in magnitude than expected and may have been offset by exemptions for new construction, by compensating social housing construction and by a flight of new construction into the owner-occupied sector. Still, on average, rent controls came at the cost of less construction activity.

**KEYWORDS:** Residential construction; rent control; tenure security; housing rationing; panel data model

**JEL CODES:** C23; O18; R38

## Introduction

Long thought to be a relic of the past, rent controls and other measures protecting urban tenants are back on the political agenda in a wide range of countries. Even if the move towards homeownership has made owner-occupying households the majority almost worldwide, many of larger cities possess significant tenant populations. They still make up an

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important constituency which advocates for rent regulation as a form of social policy.

Particularly in 2019, several countries and states have introduced new or reinforced measures to cap rent price increases. For example, in February 2019, the authorities of the state of Oregon (USA) imposed upper bounds on rent increases on the consumer price index (CPI) growth rate above 7%.<sup>1</sup> In June 2019, in New York, several measures to enhance rental regulations were introduced, including the removal of the vacancy decontrol, which was previously possible, if rent prices for a dwelling or the income of tenant renting exceeded certain thresholds.<sup>2</sup> In February 2020, a so-called *Mietendeckel* (literally meaning 'rental lid') was introduced in Berlin (Germany) leading to a rent freeze for the following five years and even providing the possibility to cut rents in the case they were found to be too high.<sup>3</sup> However, on 25 March 2021, the rent freeze was abolished by the German constitutional court. During the September 2021 Bundestag elections, the issue of extending the rent freeze to the whole of Germany was debated. Similarly, a law was enacted in Catalonia (Spain) in September 2020 capping initial rents at a local reference rent (plus 10%) for non-luxury units in tense housing market areas. Simultaneously rent increases were pegged to the index of competitiveness recovery of Spain with respect to the European Monetary Union.<sup>4</sup> The Covid-19 pandemic provided an additional impetus for rent regulations. Thus, almost 50 countries introduced eviction bans, while over 20 countries enacted rent freezes, including rent reductions and moratoria of rents during the emergency period.<sup>5</sup> Yet, despite this surge of regulations in private *rental* markets, housing scholars still focus predominantly on social housing or homeownership as dominant segments in the housing market.

The renaissance of rent control even in the rigid forms of freezing rents introduced as first-generation controls during both World Wars is surprising, given the almost unanimous agreement among economists on the negative effects of tenancy regulation in general and rent controls in particular on the allocation and supply of housing, as several surveys conducted among economists between 1979 and 2009 show (Kearl et al., 1979; Alston et al., 1992; Jenkins, 2009). Among the negative effects attributed to these market regulations the allegedly negative effect on new construction is probably the most prominent one. Richard Arnott also observed the 'widespread agreement that rent control discourages new production' (Arnott, 1995, p. 99). Restrictive housing market regulation such as protections from rent increases or evictions are thus made responsible for lowering construction activities and increasing housing shortages. They are seen as measures which reduce the incentives for investing in new residential construction, especially of rental housing, since governmental restrictions limit rental revenues and the freedom to dispose freely of one's real estate property. Today's climate of urban housing shortages in most booming European cities has led many economists to regard the removal of rent



regulations as stimulus for new housing supply (Diamond, 2018), even though the existing literature shows relatively mixed results.

This study investigates the relationship between restrictive governmental housing regulations—not just rent controls but also protection from eviction and housing rationing measures—and residential construction for the first time with international historical long-run data. It draws on two novel data collections ranging between 1910 and 2016 for 16 developed countries: the first one contains rent regulation indices based on manual codings of all major tenancy-related laws in a country, and the second one contains data on building activity. The regulation data include measures for three types of restrictive housing policies: rent control, security of tenancy and rationing of housing units. Our dependent variables are annual time series of new residential construction (housing units, investment) and we control for economic (real GDP per capita, long-term interest rates and mortgage debt) and demographic factors (population growth, total dependency ratio and marriage rates) in panel-data models.

While our findings are broadly in line with economists' general expectations, i.e., in normal and post-war periods, rent controls, tenancy-security and rationing regulation have on average negative effects on new construction activity, the surprising finding is that the significance is not as persistent as economists would expect. Whereas the severe rationing measures are significant almost throughout, security of tenancy and rent price regulation are only significant under certain conditions: in their strict form of rent freezes and in the post-1960 period. Increasing the regulation by 1 on a scale from 0 to 1, i.e., shifting from zero to full control, decreases new construction by 0.06 per 1000 inhabitants, which is a sizeable magnitude when accumulated over several years, but also not a complete construction stopper.

We suggest that this rather surprising non-universality of a strong negative tenancy-regulation effect could be explained by the fact that new construction has often been exempted from rent control. Moreover, tenancy regulation may crowd out rental units in favour of owner-occupied ones which can enjoy ongoing construction despite rent control (Kholodilin & Kohl, 2021b; Fetter, 2016). While this article only focuses on new construction, the regulation effects on existing stock should also be kept in mind. Finally, strict rent control rarely comes without active social housing policies in favour of new construction which can compensate for the loss of private construction. The findings also highlight that tenancy regulation beyond rent controls, and the war-related housing rationing measures, in particular, can significantly impact new construction and that for rent control effects themselves, the historical and country context matters. In that, our findings on rent control appear to be similar to mixed findings on the effect of minimum wages on labour supply, i.e., the labour market equivalent of price controls (Doucouliagos & Stanley, 2009).

Existing research on private rental markets and rent control is rather scarce, uses mostly geographically limited data for snapshot moments or

the short run. Our main contribution is to expand on this understudied topic by extending the geographic and temporal scope of the analysis with the help of new international long-run data, which cover the historical time periods in which rent control was first introduced and most widespread. Against the backdrop of these long-run data, our findings confirm a long-held expectation about tenancy policies' negative effects on building activity, but also show that the effects are less consistent and smaller than expected. The implication of our findings is that strong rent controls or rationing measures, if not compensated by social housing construction, may have negative effects on housing construction and investment.

The study proceeds as follows. The next section reviews the literature on the effects of governmental regulations on residential construction. The following section describes the data used and explains the methodology applied in this study, while the third section discusses the results obtained. The last section points to potential interpretations of the main finding and concludes.

### **Determinants of residential construction**

Rental housing market regulations and most prominently rent controls are a phenomenon that has attracted quite some attention from economists. We identified 99 empirical studies published in peer-reviewed journals between 1967 and 2022 that overall cover 36 different countries, with one-third of the studies being devoted to North America and more than a half of studies concentrating on European countries, the remainder focussing on the Global South (Kholodilin, 2022). Together they investigate 19 different effects that rent controls can typically have, while many studies examine several impacts at a time. Most authors are interested in the effects of rent control on rents of controlled apartments (31 studies), residential mobility (19), new housing construction (12) and homeownership (11). Other studies are interested in effects on welfare, segregation, misallocation, vacancies, quality, homelessness, etc.

This literature generally finds that rent regulation in the form of price controls significantly lowers controlled rents (and returns) but increases uncontrolled rents (e.g., Attia, 2016; Baye & Dinger, 2022; Ahrens et al., 2019). At the same time, it tends to increase homeownership, as it crowds out rental housing units (Diamond et al., 2019; Asquith, 2019; Appelbaum et al., 1991; Fetter, 2016). Studies unanimously find that rent controls lower residential mobility, as tenants have a strong incentive to remain in controlled units (Gyourko & Linneman, 1989; Clark & Heskin, 1982; Bonneval et al., 2022; Karpestam, 2022; Gardner, 2022). The literature also agrees on the negative effects on housing quality, as landlords lose the means and incentive for proper maintenance (Gilderbloom & Ye, 2007; Breidenbach et al., 2022; Tan, 2021).

The number of studies investigating rent control effects on residential construction is already more limited and much more mixed in comparison to the articles studying other outcomes. We identified a total of 12 published studies. These studies mostly cover Canada, Scotland, Sweden and the United States. The estimation techniques are rather rudimentary, except for Sims (2007) who uses difference-in-differences regressions, although the authors are sometimes very inventive regarding their data sources. Most studies (seven out of 12) find a negative impact of rent control (Lind, 2003; Smith & Tomlinson, 1981; Smith, 1988) or a positive effect of deregulation (Bailey, 1999; Gibb, 1994) on new housing construction. Only Gilderbloom and Ye (2007) and Ambrosius et al. (2015), using more or less the same data and the same methodology as Gilderbloom and Markham (1996), find no impact of rent control on new residential construction. Moreover, in this particular case, rent controls are thought to be moderate. Goetz (1995) concludes that the multifamily-housing production in San Francisco has accelerated after the introduction of rent control. However, he does not control for other factors, except for dummy variables of rent control introduction, that could explain higher construction rates after rent control was adopted in 1979.

The best evidence comes from sub-national case studies. The most prominent recent quasi-experimental study of San Francisco estimated the effect of rent controls on new construction as high as a 15% reduction in new supply (Diamond et al., 2019). Also studying San Francisco, Asquith (2019) finds a reduction in rental housing supply, as landlords sell off apartments in the condo-market or simply hold back supply. A similar phenomenon—a conversion of rental into owner-occupied units—was found by Fetter (2016) for the US rent controls during and immediately after World War II (WWII). However, Sims (2007), using microdata from a housing survey conducted in Massachusetts in 1985–1998, finds little effect of rent control on new housing construction. Studying the same de-control moment, Autor et al. (2014) also find a very low effect of de-control on new residential investment. Mense et al. (2018), who investigate a recent strengthening of German rental policy—the rental brake (*Mietpreisbremse*)—establish that it fostered new construction in the controlled municipalities.

Overall, the existing literature on the construction and supply effects has predominantly focussed on the effects of rent price controls and not on other forms of tenancy regulation (such as supply restrictions or tenant protection). The existing macro-studies have been rather narrow in terms of geographic scope and regarding the length of time series data used. Almost all studies ignore the historical moments with highest rent regulation activity. We address these shortcomings below by increasing both geographic and time coverage and by including different dimensions of tenancy regulation.

## Data

In this section, we present the variables and operationalisation used in this study. For the sake of convenience, we split them into tenancy regulation indices, dependent construction variables and control variables. [Table 1](#) reports the sources of data in more detail and presents the descriptive statistics.

### *Regulation indices*

The main explanatory variable is the intensity of tenancy regulation which we approximate by drawing on the restrictive rental market regulations indices, as developed by Kholodilin (2020) and Weber (2017). They cover three types of regulations: rent control, tenure security and housing rationing. The rent control index measures the intensity of restrictions imposed on the level of rent and its rate of increase. This index is computed as a simple average of six binary indices reflecting the following policies: real rent freeze, nominal rent freeze, rent level control, inter-tenancy decontrol, other specific rent decontrol and specific rent re-control. Thus, the rent control index varies on a continuous scale between 0 and 1.

Moreover, economists distinguish between the first and the second generation of rent control (Arnott, 1995). The first generation implies a hard rent freeze, when rents are fixed at a given level, while under the softer second-generation rent control, the starting rent is generally set at market level, but its growth rate is tied to a measure of living or building costs. Here, we use regulation indices of the first- and second-generation rent control. In case of the first-generation rent control, there are both real and nominal rent freezes as well as rent level controls. By contrast, under the second-generation rent control, only real rent freezes are present. The Rent laws index, on the one hand, and first- and second-generation rent control indices, on the other hand, are constructed in a different way. Unlike the continuous Rent laws index, the generation indices of rent control are binary indices—being equal either to 0 or to 1—reflecting whether the state uses the first or second generation of rent control or not. Therefore, they contain related but not the same information.

The tenure security index, in turn, reflects the degree of protection of tenants from evictions by landlords. The main instruments of protection are eviction protection during a given lease term or period; eviction protection at the end of the term or period; imposition of a minimum duration of rental contracts; and a prohibition of short-term tenancies (of less than one year).

Finally, the housing rationing index measures the intensity of redistribution within the existing housing stock. It includes such policies as registration of housing; protection of housing (e.g., prohibitions to convert residential premises to other uses or to short-term rentals); requisition of vacant housing; restriction of freedom to move into areas with tight

**Table 1.** Description of variables used in the analysis.

Variable description	Source	Period	Minimum	Mean	Maximum	Standard deviation
Housing completions by 1000 inhabitants	Kohl (2021)	1900–2016	0.020	5.447	17.314	2.928
Share of residential construction in GDP, %	Macrohistory	1900–2017	0.039	4.806	12.081	2.079
Rent laws index, (0, 1)	RHMR	1900–2021	0	0.488	1	0.361
First-generation rent control index, (0, 1)	RHMR	1900–2021	0	0.493	1	0.500
Second-generation rent control index, (0, 1)	RHMR	1900–2021	0	0.128	1	0.334
Tenure security index, (0, 1)	RHMR	1900–2021	0	0.393	1	0.245
Housing rationing index, (0, 1)	RHMR	1900–2021	0	0.109	0.750	0.165
Rental market regulation index, (0, 1)	RHMR	1900–2021	0	0.440	0.917	0.255
Real GDP per capita, 1990 international dollars, 1000	Maddison	1900–2018	1.833	17.116	84.580	14.156
Real per-capita GDP growth rate	Own calculations	1901–2018	-0.878	0.020	0.506	0.056
Long-term interest rate, %	Macrohistory and OECD	1900–2018	-0.251	5.675	21.502	3.180
Total loans-to-GDP ratio, %	Macrohistory and own calculations	1900–2016	0.019	0.641	2.045	0.365
Population growth	Maddison and own calculations	1901–2018	-0.075	0.007	0.034	0.006
Housing return minus equity return (relative rate of return)	Macrohistory	1900–2015	-0.096	0.014	0.102	0.025
Government budget balance-to-GDP ratio	Macrohistory and own calculations	1900–2016	-0.752	-0.022	0.201	0.059
Ratio of dependent (younger than 15 and older than 64 y. o.) population to working-age (15 through 64 y. o.) population, [0,1]	World Development Indicators of the World Bank and European University Institute	1900–2016	0.425	0.544	0.993	0.067
Number of marriages per 1000 population	Mitchell (2013) and OECD Vital Statistics	1900–2016	2.113	7.058	17.959	1.838

Note: BIS = Bank for International Settlements ([https://www.bis.org/statistics/pp\\_detailed.htm](https://www.bis.org/statistics/pp_detailed.htm)); Federal Reserve Bank of Dallas (<https://www.dallasfed.org/institute/house-price#tab2>); Macrohistory = Jordà-Schularick-Taylor Macrohistory Database (<http://www.macrohistory.net/data/>); Maddison = Maddison Historical Statistics (<https://www.rug.nl/ggdc/historicaldevelopment/maddison/>); OECD = Organisation for Economic Cooperation and Development Housing prices data (<https://data.oecd.org/price/housing-prices.htm>); RHMR = Rental Housing Market Regulation database ([https://rpubs.com/Konstantin\\_Xo/RHMR](https://rpubs.com/Konstantin_Xo/RHMR)).

housing markets; conservation of social composition of the neighbourhoods in order to prevent gentrification; imposition of maximum housing consumption norms; and nationalisation of private housing stock.

All three indices range between 0 and 1: the higher the index the more intense the regulation. In addition, following Weber (2017), we computed a rental market regulation index (*RMRI*) as a simple average of the rent control index and tenure security index. Thus, it measures an overall security of tenants by simultaneously capturing the protection of tenants from rent increases and from eviction.

The indices are constructed based on a manual content coding of the corresponding legal acts (see [https://rpubs.com/Konstantin\\_Xo/RHMR](https://rpubs.com/Konstantin_Xo/RHMR) for details) and, to the best of our knowledge, represent the best available data source for comparative long-run measures of tenancy regulation. It is important to note that the indices do not measure how tight each regulation in place is, but whether regulations of different sorts are generally in place or not and how many of them are enacted. It is also important to keep in mind that this law-based approach cannot deal with different degrees of enforcement of laws. A final note of caution is that these laws are enacted on the national level and do not account for regional variations. In most cases, the national focus reflects the most important regulation level, with decentralisation of housing policies starting in the 1980s in many countries. The indices thus measure, for instance, that the US federal government does not implement any rent controls and that this differs from Germany, which allows municipalities to use regionally specific comparative-rent tables to enforce soft rent controls, but the index ignores differences between the enforcement in Berlin and Cologne.

While these are some obvious shortcomings of the indices, they are the only available long-run regulation data at hand. There are two additional arguments speaking in their favour. First, our indices correlate quite well with alternative ones, as shown in Kholodilin (2020). Second, there are already quite a few researchers, including those from the IMF and the OECD, who are using the indices for their research, where they have become a common data currency.<sup>6</sup>

### *Housing construction intensity*

Our dependent variable is housing construction intensity, which is defined as the number of completed dwellings per 1000 persons (cf. Kohl 2021). Surveying construction requires a certain governmental control of property rights and of the construction sector which is not given in many developing nations and therefore restricts the countries we can sensibly include in the study. Construction volume is available as permits, starts and completions and with the exception of a few countries such as the US, completions are reported throughout. The advantage of

housing starts (and permits) as measure is that they are the most sensitive measures to reveal macroeconomic impacts on initiated construction activity. Their obvious shortcoming is that not all housing starts end up in completions due to construction-loan problems, bad calculations or speculation. Completions, in turn, have the disadvantage that they lag behind starts by one or two years. However, they indicate what has been constructed and their coverage across countries is highest. For these reasons, we choose completions as our measure for new construction volume.

To control for demography right from the start, we divide completions by the current population, which yields a commonly used variable in the range of 2 to 15 completed units per 1000 inhabitants (cf. Kohl 2021). In cases of missing completion data due to countries not having surveyed them at all or only at certain points in time, we approximate completions through housing starts and permits. Our rule of approximation is the following: If available, we use the first lag of housing starts multiplied by the median ratio of housing completions and starts in our sample excluding the war and post-war years, namely 0.98. If starts are also not available, we use the first lag of permits again multiplied by the average ratio of housing completions and permits, namely 0.95. This is to make sure that the levels of completions are approximated, as the over-time trends are highly similar. For the available data, both lagged permits and lagged housing starts strongly correlate ( $r=0.98$ ).

To include new housing quality and investments in existing stock, we also rely on total residential construction investment per GDP as an alternative dependent variable, which comes with the advantage of being a monetary variable, but is therefore also subject to price effects.

### **Control variables**

The existing literature usually points to a list of control variables, mainly the common economic and demographic background variables, which need to be available for the very long-run for our purposes. On the economic side, we control for GDP per capita as higher income levels allow for more construction to take place. The business cycle is also known for its strong correlation with the building cycle (Leamer, 2007). With government activity being important for the building sector, we also include the governmental budget balance as a variable. Most new construction is not financed out of equity, which is why capital markets play a crucial role. We, therefore, include long-term interest rates that govern mortgage lending. Moreover, we include the growth of mortgages outstanding to GDP: in normal times, more mortgage supply should lead to new construction, but we also include its quadratic term, as too high levels of mortgage indebtedness has been found to just drive up prices and to not extend supply further (Kohl, 2021). New construction depends on the relative

attractiveness to build; we, therefore, include the relative rate of return computed as a difference between housing rental returns and stock market returns in the estimation. Finally, we would include homeownership rates, but their coverage reduces our sample to a post-1950 sample, giving away our long-run data advantage.<sup>7</sup>

On the demographic side, we control for population growth to account for rising demand. As a more refined measure, we also control for marriage rates per population because they indicate the formation of new households. Family formation requires the extension of living space, whereas older household cut back living space at higher ages. We therefore also include a dependency ratio by interpolating the age composition of the population surveyed at census points.<sup>8</sup>

### Econometric methodology

Methodologically, the availability of longitudinal data suggests the use of a panel data model. Given the strong persistence of construction intensity and in order to remove serial correlation and potential non-stationarity, we compute the dependent variable as the first difference of the log of construction intensity.

$$y_{it} = \beta' x_{i,t-1} + \gamma' z_{i,t-2} + \eta_i + \theta_t + v_{it} \quad (1)$$

where  $y_{it}$  is the first difference of the construction intensity or the percentage of residential construction in GDP in country  $i$  in the year  $t$ ;  $x_{it}$  is the vector of control variables;  $z_{it}$  is the vector of regulation indices;  $\eta_i$  is the country fixed effects;  $\theta_t$  is the time fixed effects;  $v_{it}$  is the random disturbance; and  $\beta$  is the vector of coefficients.

We transform the explanatory variables that Dickey-Fuller tests reveal to be non-stationary (population, mortgages and GDP per capita) into growth rates or first differences which also transforms some of these stock-variables into flows, more apt to explain the flow of new constructions. We use the second lag of the regulation indices in order to capture the fact that housing construction takes time to reach completion. The plot of land must be found, the architectural plans must be made, the building permit must be obtained and finally, the house must be built. All these procedures take time and on average two years can pass between the decision to build and the completion. In addition, factors such as bad weather and unavailability of subcontractors and workers during periods of busy construction activity can lengthen the process even more. For example, according to the US Census Bureau 2020 statistics, it takes on average about 7 to 16 months between the start and completion of single- and multi-family houses, respectively.<sup>9</sup> For the control variables we use their first lags. Given that we work with annual data, one lag should be sufficient. Wooldridge (2012, p. 658), for instance,



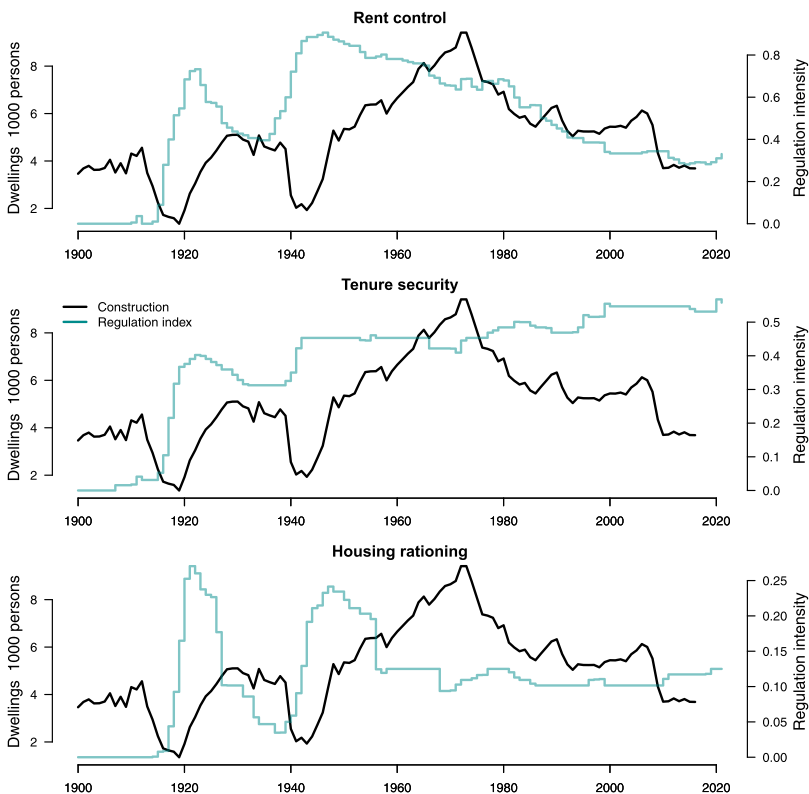
suggests to use at most two lags for annual time series. A larger number of lags would reduce the already modest degrees of freedom in our models.

## Results

We first describe how construction and tenancy regulation developed across time and different regions to then present the multivariate results.

### Descriptive findings

Figure 1 depicts the evolution of the three regulation indices between 1900 and 2021. All curves show a two-hump structure: regulation set in with WWI as consumer socialism for the home front of soldiers' families.



**Figure 1.** Residential construction intensity and rental housing market regulations. *Note:* Construction intensity is measured as the number of completed dwellings per 1000 persons. The indices of rent control, tenure security and housing rationing vary between 0 (no rent control) and 1 (very strict control). All indices are obtained by averaging from the country-specific indicators of 16 countries under investigation.

It was then reversed during the interwar years only to spike again during WWII. But whereas the rationing supply side restrictions were almost completely dismantled in the post-war development, tenancy security was on average maintained throughout all jurisdictions. Rent regulation itself reduced in intensity everywhere: the strong first-generation freezes of absolute rent levels softened into second-generation regulation of rent increases. While this is the broad common story across jurisdictions, there are notable differences between low-regulation Anglophone countries and continental European countries with a tradition of stronger tenancy regulation.

In addition, [Figure 1](#) shows the long-run construction cycle. With the exception of socialist countries, there is a rough counter-cyclical movement of construction and rent regulation over the 20<sup>th</sup> century: rent regulation surges in war times when construction is low and it fades out with the building cycle taking off. Towards the end of the reporting period, the negative correlation is less evident as building cycles can occur even at a constant rent level.

### *Multivariate estimations*

In what follows, we estimate four different models, depending on the combination of rental regulation indices and control variables included. We choose these models to uncover different combinations of the regulation indices (models 1–2), to distinguish soft from hard rent controls (3) and to uncover potential non-linear effects (4). We estimate these models for two dependent variables: completed housing units per population and residential investments per GDP.<sup>10</sup> We include a total of 16 countries: with the exception of Portugal, all countries start at least in the interwar period, most even before the First World War.

[Tables 2](#) and [3](#) report estimation results for housing completions for the whole sample and the war-unaffected, post-1960 subsample, respectively. We distinguish war- from post-war-times because the former are arguably very unrepresentative times for housing policies and rent policies in particular. A first observation is that the different combinations of regulation indices share a persistent negative coefficient sign (with the exception of second generation controls), but at low significance levels. A closer look shows that three regulation indices are statistically significant: tenancy security in the whole sample, housing rationing and rent price controls in the war-unaffected subsample. The effect of the general rent price regulation is entirely driven by the remaining hard first-generation price controls. All affect the intensity of residential construction negatively. Thus, stricter regulations, limiting the freedom of landlords to set prices and to select tenants, diminish the incentives to build new housing.

[Table 2](#) presents estimation results for the whole sample using the intensity of housing construction as a dependent variable.

Regarding the magnitude of the effect, it is sizeable, but also not extremely large. The linear effects are the smallest for the models

**Table 2.** Estimation results of panel data model: construction intensity, whole period.

Dependent variable: growth rate of construction intensity

	Model 1	Model 2	Model 3	Model 4
Rent laws <sub><i>t-2</i></sub>	-0.026 (0.036)			-0.160 (0.111)
Rent laws <sup>2</sup> <sub><i>t-2</i></sub>				0.127 (0.110)
First-generation rent control <sub><i>t-2</i></sub>			-0.031 (0.020)	
Second-generation rent control <sub><i>t-2</i></sub>			0.013 (0.027)	
Tenure security <sub><i>t-2</i></sub>	-0.083* (0.041)		-0.102* (0.051)	-0.073 (0.039)
Rationing <sub><i>t-2</i></sub>	-0.081 (0.095)	-0.082 (0.096)	-0.071 (0.096)	-0.087 (0.099)
RMRI <sub><i>t-2</i></sub>		-0.094 (0.063)		
Per-capita GDP growth <sub><i>t-1</i></sub>	0.252 (0.179)	0.256 (0.179)	0.260 (0.181)	0.256 (0.177)
Long-term interest rate <sub><i>t-1</i></sub>	-0.003* (0.001)	-0.003* (0.001)	-0.002 (0.001)	-0.003 (0.002)
Relative rate of return <sub><i>t-1</i></sub>	-0.045 (0.222)	0.007 (0.225)	0.014 (0.232)	-0.004 (0.227)
Change in loan-to-GDP ratio <sub><i>t-1</i></sub>	0.177 (0.176)	0.189 (0.179)	0.185 (0.177)	0.195 (0.180)
Change in loan-to-GDP ratio <sup>2</sup> <sub><i>t-1</i></sub>	-5.032*** (1.079)	-5.142*** (1.029)	-5.068*** (1.056)	-5.140*** (1.088)
Government balance-to-GDP ratio <sub><i>t-1</i></sub>	0.015 (0.191)	-0.013 (0.179)	0.030 (0.190)	-0.001 (0.197)
Population growth <sub><i>t-1</i></sub>	1.874 (1.637)	1.593 (1.634)	1.816 (1.701)	1.792 (1.667)
Dependency ratio <sub><i>t-1</i></sub>	-0.275 (0.196)	-0.292 (0.212)	-0.314 (0.203)	-0.279 (0.195)
Marriage rate <sub><i>t-1</i></sub>	0.027* (0.011)	0.028* (0.011)	0.028* (0.011)	0.027* (0.011)
R <sup>2</sup>	0.054	0.052	0.057	0.055
Number of observations	1005	1005	1005	1005

\*\*\* $p < 0.001$ , \*\* $p < 0.01$ , \* $p < 0.05$ .

estimated over the whole period: the largest decline of the growth rate of construction intensity is obtained for the maximum rent control intensity (equal to 1) and is between -1.3% for all and -1.6% for developed economies. For the post-1960 period, the effects are much larger, varying from the largest decline of about -6% for all countries to almost -8% for developed ones. Assume that in the initial situation (period  $t$ ) there is no rent control and that construction intensity is 10 dwellings per 1000 inhabitants. If in the following year ( $t+1$ ) the strictest possible rent control is introduced, in  $t+3$  the construction intensity would fall to 9.84–9.87 dwellings per 1000 persons for the whole period and to 9.2–9.4 dwellings per 1000 persons for the post-1960 period. In a country with 100 million inhabitants, it would correspond to a reduction in residential construction by 13,000–16,000 and 60,000–80,000 dwellings, respectively, which is a sizeable magnitude over several years, but also not a complete construction stop.

**Table 3.** Estimation results of panel data model: construction intensity, 1960–2016.

Dependent variable: growth rate of construction intensity				
	Model 1	Model 2	Model 3	Model 4
Rent laws <sub><i>t-2</i></sub>	-0.085** (0.027)			-0.013 (0.104)
Rent laws <sup>2</sup> <sub><i>t-1</i></sub>				-0.069 (0.100)
First-generation rent control <sub><i>t-2</i></sub>			-0.043* (0.019)	
Second-generation rent control <sub><i>t-2</i></sub>			0.003 (0.025)	
Tenure security <sub><i>t-2</i></sub>	-0.069 (0.036)		-0.087 (0.046)	-0.072 (0.038)
Rationing <sub><i>t-2</i></sub>	-0.221*** (0.056)	-0.221*** (0.054)	-0.231*** (0.061)	-0.224*** (0.055)
RMRI <sub><i>t-2</i></sub>		-0.157** (0.050)		
Per-capita GDP growth <sub><i>t-1</i></sub>	0.629** (0.207)	0.627** (0.202)	0.629** (0.206)	0.628** (0.207)
Long-term interest rate <sub><i>t-1</i></sub>	-0.003* (0.002)	-0.003* (0.002)	-0.002 (0.001)	-0.003* (0.002)
Relative rate of return <sub><i>t-1</i></sub>	0.162 (0.324)	0.142 (0.305)	0.169 (0.341)	0.160 (0.325)
Change in loan-to-GDP ratio <sub><i>t-1</i></sub>	0.153 (0.196)	0.150 (0.196)	0.140 (0.198)	0.140 (0.196)
Change in loan-to-GDP ratio <sup>2</sup> <sub><i>t-1</i></sub>	-3.144* (1.276)	-3.113* (1.298)	-3.153* (1.276)	-3.090* (1.286)
Government balance-to-GDP ratio <sub><i>t-1</i></sub>	0.303 (0.201)	0.310 (0.193)	0.337 (0.212)	0.311 (0.202)
Population growth <sub><i>t-1</i></sub>	1.443 (0.774)	1.499 (0.798)	1.405 (0.897)	1.639 (0.873)
Dependency ratio <sub><i>t-1</i></sub>	-0.055 (0.129)	-0.054 (0.127)	-0.030 (0.141)	-0.070 (0.141)
Marriage rate <sub><i>t-1</i></sub>	0.026*** (0.007)	0.026*** (0.007)	0.027*** (0.007)	0.026*** (0.007)
R <sup>2</sup>	0.095	0.095	0.094	0.096
Number of observations	807	807	807	807

\*\*\* $p < 0.001$ , \*\* $p < 0.01$ , \* $p < 0.05$ .

Over the whole sample, growth of real per-capita GDP is statistically significant among the control variables. It exerts a strong positive effect on the construction intensity, which corroborates economic theory and common sense. Higher interest rates, in turn, rather depress new construction, whereas more mortgage debt (insignificantly) increases construction, but only up to a certain point (significantly negative square term). Among the demographic variables, marriage rates have a statistically significant positive effect. Even when people marry less, marriage rates might be a proxy for years when demographic cycles produce more family formation and hence construction demand. The addition of demographic and particularly economic variables normally associated with the building cycle takes away the significance of regulation indices.

Much of the regulation effect is driven by the war-time effects as the war-unaffected subsample results in Table 3 shows: post-1960, rent and

rationing regulation indices are negatively associated with construction intensity and significantly so. Apparently, the housing rationing, being one of the most drastic measures, has a strong negative impact on the confidence of investors and, therefore, on their willingness to build new houses. Thus, the threat of being expropriated represents an effective obstacle to residential construction. The rent control effect is again driven by the strict rent freezes and not the second-generation controls.

The coefficient estimates obtained for the alternative dependent variable, construction investment per GDP, are very consistent with those obtained for the construction intensity (not shown). Restrictive housing policies appear to exert a negative impact on residential construction, especially since 1960, but at low significance levels. For the more recent period, rent price controls have again a significantly negative effect, mostly driven again by the first-generation rent controls. Supply rationing measures are highly significant in this period and reduce new constructions. Tenure security regulations are only statistically significant for the estimation over the whole sample. Increasing tenancy regulation to a maximum leads to a decrease of residential investment per GDP of 0.085 percentage points and of up to 0.043 for the strict first-generation controls. The control variables behave very similarly to the results in the previous two estimates.

Although we find negative effects of restrictive regulations on housing construction, these effects are often not statistically significant. It is possible that due to factors internal to each country positive and negative effects in different types of countries cancel each other out. This issue could theoretically be addressed by focussing on specific countries. However, such a country-specific analysis is rather difficult due to the limited number of observations per country. This is the reason why we opted for using the panel-data approach that dramatically increases the number of observations. To some extent, the country-specific effects are captured by the fixed effects. However, it can be true that an offsetting of effects in various countries occurs. Nevertheless, as an overview of the empirical literature on rent control effects shows, most studies using different methodologies and data find that rent control exerts either a negative or no impact on housing construction (Kholodilin, 2022). Thus, the cancelling out of effects could hardly affect our main conclusion.

## Discussion and conclusion

The general finding points to the expected negative effect of rent regulation on new residential construction: throughout different samples and specifications, the regulation coefficients are negative, albeit with changing levels of significance. The finding is most persistent for rationing and first-generation rent controls and most pronounced for the war-unaffected period which reaches up to the current day. Higher levels of security of tenure can depress new construction. However, this finding is not always confirmed, as the corresponding coefficient is only statistically significant

in the total sample. Overall, with the most complete historical-comparative data available, the received wisdom among economists of a negative construction and investment effect of rent controls seems to hold, but with far less persistence and magnitude than is usually assumed. In many models, new construction depends more on economic or demographic factors than on tenancy regulation. This is in line with the rather mixed results of existing studies of smaller geographic and temporal scope, where almost half of the studies produce null findings.

The models covering the whole time period do not find any significant rent-control effect other than for the war-related first-generation controls and for the rationing measures. One explanation could be that lower rent control intensity corresponds to the more flexible first-generation rent control, while higher ones correspond to the much more restrictive first-generation rent control. This is in line with previous research (Mense et al., 2018). Finally, one could argue that the magnitude of the examined effects is not particularly high in general. It is not the case that private construction completely stops after the introduction of rent control measures.

What could explain the deviance from the usually expected result? In the following, we want to discuss potential data and model configurations which could explain our main results. One obvious explanation is that rent control laws often exempt new construction from regulations. A sub-item in the regulation data set measures whether exceptions to rent controls exist (e.g., for the luxury market segment, new construction, and certain geographies). In the global sample, these exceptions were present in about 70% of all country years during which rent legislation was in place. Unfortunately, the variable is coded too broadly, not taking into account kind and degree, to produce any significant results. Yet, the purpose of many exceptions is to guarantee that the incentives for building new houses are not diminished. Thus, the rents for newly built dwellings are not controlled and so the investors can earn decent profits on it. But investors might still shy away from further investment in rental stock, as they might expect a general deterioration of investment climate and a slippery slope towards even more state intervention.

A second explanation can draw on the fact that tenancy regulation crowds out rental dwellings in favour of owner-occupied ones in the existing housing stock (Fetter, 2016; Kholodilin & Kohl, 2021b). What holds for the existing housing stock may as well hold for new construction: A potential reduction in completions of rental dwellings could thus be more than offset by the increase in the completion numbers in the owner-occupied housing segment. This is all the more probable, given the evidence that homeowner-dominated societies are more prone to speculative house price dynamics (Rünstler, 2016). Homeowners or would-be homeowners who observe house price increases and expect them to continue are eager to participate in the overall speculative movement hoping to obtain capital gains. Thus, more housing is built in such economies than in the tenant-dominated ones, where most people are rather unwilling to see house prices

increases, since this often goes hand in hand with rent increases. It should be noted also that the switch from tenant to homeowner dominance can be the result of too strict rental regulations. In principle, one would need to replace our current dependent variable of all new constructions by new rental constructions, but the future use of a housing unit is unfortunately not known, let alone surveyed at the point of its construction.

A final explanation for why rent regulation is not universally affecting new construction resides in the fact that in many historical cases the restrictive rental measures are accompanied by housing policies seeking to foster the building activities through social housing or the stimulation of more private housing construction. This has especially been the case after major housing supply shocks caused by wars or natural catastrophes. The inevitable rent increases are anticipated by using rent controls and the resulting unwillingness to build by private investors makes the government step in to either replace the private building initiative or stimulate it artificially. This could also explain why the global sample results show less significant results than the shorter sample estimates as they included the period of strongest state intervention in housing markets, including social housing construction.

What then are the implications? Rent control measures of even the hard first-generation rent freezes or rationing measures are currently debated and passed in European countries and beyond. Even though they are often introduced with good intentions as social policy in favour of tenants and even potentially lowering short-term inequalities (Kholodilin & Kohl, 2021a), our results suggest that economists do have a point when warning about unintended consequences of depressing new construction. Rent controls help sitting tenants in the short run but contribute to future housing shortages for new tenants in the longer run. This long-run result can partially be offset by additional state policies stimulating housing construction. However, under rent control, the efforts to spur residential construction have to be much larger than in its absence. This undermines the frequently used argument that rent control is an interim measure deployed in order to combat rent increases, while awaiting for construction to gain momentum. Therefore, if one wants to overcome housing shortages as soon as possible, it may be better to abstain from restricting rents, especially from using strict first-generation rent controls.

## Notes

1. Senate Bill 608 relating to residential tenancies; creating new provisions; amending ORS 90.100, 90.220, 90.323, 90.427, 90.600, 90.643, 90.675 and 105.124; and declaring an emergency.
2. Housing Stability and Tenant Protection Act of 2019.
3. See 'Gesetz zur Mietbegrenzung im Wohnungswesen in Berlin (MietenWoG Bln)' as of 11 February 2020. The law was enacted on 23 February 2020.
4. *Ley 11/2020, de 18 de septiembre, de medidas urgentes en materia de contención de rentas en los contratos de arrendamiento de vivienda y de modificación de la Ley 18/2007, de la Ley 24/2015 y*

de la Ley 4/2016, relativas a la protección del derecho a la vivienda. This regulation was apparently influenced to a large extent by the so-called rental brake (*Mietpreisbremse*) introduced in Germany in 2015. However, in March 2022, the Catalan rent control law was revoked by the Spanish Constitutional Court as unconstitutional—*Sentencia de Tribunal Constitucional de España—Sentencia 37/2022, de 10 de marzo de 2022. Recurso de inconstitucionalidad 6289-2020*.

5. See [https://rpubs.com/Konstantin\\_Xo/COVID19\\_housing\\_policies](https://rpubs.com/Konstantin_Xo/COVID19_housing_policies).
6. To name just a few: (1) Cournède et al. (2019) find that a tighter rental regulation tends to exacerbate the risk of severe economic downturns; (2) Cavalleri et al. (2019) suggest that restrictive rental market regulations can decrease the price elasticity of housing supply; while (3) Elfayoumi et al. (2021) investigate the link between rental market regulations and affordability of rental housing.
7. In such a regression, the homeownership variable does not have significant effects.
8. Marriage rates and age composition are interpolated using the **R**-package *stinepack* based on Stineman (1980).
9. Average Length of Time from Start to Completion of New Privately Owned Residential Buildings; [https://www.census.gov/construction/nrc/pdf/avg\\_starttocomp.pdf](https://www.census.gov/construction/nrc/pdf/avg_starttocomp.pdf). The larger the building, the lengthier the process: it takes 18 months for buildings with 20 units and more. Thus, changes in regulations affect the willingness of investors to apply for permits. Only after the permits are obtained the construction can begin.
10. The results for the second dependent variable are available upon request, and more documentation is shown in the longer working paper version.

## Disclosure statement

The authors confirm that the article involves no conflicts of interest.

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## The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco<sup>†</sup>

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*Using a 1994 law change, we exploit quasi-experimental variation in the assignment of rent control in San Francisco to study its impacts on tenants and landlords. Leveraging new data tracking individuals' migration, we find rent control limits renters' mobility by 20 percent and lowers displacement from San Francisco. Landlords treated by rent control reduce rental housing supplies by 15 percent by selling to owner-occupants and redeveloping buildings. Thus, 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. (JEL R23, R31, R38)*

Steadily rising housing rents in many of the United State's large, productive cities has brought the issue of affordable housing to the forefront of the policy debate and reignited the discussion over expanding or enacting rent control provisions. While the details of rent control regulations vary some across places, they generally regulate rent increases and place restrictions on evictions. State lawmakers in California, Colorado, Illinois, and Oregon have considered repealing laws that limit cities' abilities to pass or expand rent control. Rent control is already extremely popular around the San Francisco Bay Area. Nine Bay Area cities already impose rent control regulations, two of which recently passed rent control laws through majority votes on the November 2016 ballot.

A substantial body of economic research has warned about potential negative efficiency consequences of limiting rent increases below market rates, including overconsumption of housing by tenants of rent-controlled apartments (Olsen 1972, Gyourko and Linneman 1989), misallocation of heterogeneous housing to heterogeneous tenants (Suen 1989, Glaeser and Luttmer 2003, Sims 2011, Bulow and Klemperer 2012), negative spillovers onto neighboring housing (Sims 2007; Autor, Palmer, and Pathak 2014) and neglect of required maintenance (Downs 1988). Yet, due to incomplete markets, in the absence of rent control, many tenants are unable to insure themselves against rent increases. Of course, individuals who have little connection to any specific area may be able to easily insure themselves against

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local rental price appreciation by simply moving to a cheaper location. However, if long-term tenants have developed neighborhood-specific capital, such as a network of friends and family, proximity to one's job, or proximity to the schools of one's children, then these tenants face large risks from rent appreciation. A variety of affordable housing advocates have argued that many tenants greatly value such insurance and that rent control can effectively provide it.

Despite the policy interest, due to a lack of detailed data and natural experiments, we have little well-identified empirical evidence evaluating how introducing local rent controls affects tenants, landlords, and the broader housing market.<sup>1</sup> In this paper, we bring to bear new microdata and exploit quasi-experimental variation in the assignment of rent control to fill this gap. We exploit an unexpected 1994 law change that suddenly rent-controlled a subset of San Francisco buildings and their tenants, based on the year each building was built. However, the law left very similar buildings and tenants without rent control. We find tenants covered by rent control do place a substantial value on the benefit, as revealed by their choice to remain in their apartments longer than those without rent control. Indeed, we find the vast majority of those incentivized to remain in their rent-controlled apartment would have been displaced from San Francisco had they not been covered.

However, landlords of properties affected by the law change respond over the long term by substituting to other types of real estate, in particular by converting to condos and redeveloping buildings so as to exempt them from rent control. In the long run, landlords' substitution toward owner-occupied and newly constructed rental housing not only lowered the supply of rental housing in the city, but also shifted the city's housing supply toward less affordable types of housing that likely cater to the tastes of higher income individuals. Ultimately, these endogenous shifts in the housing supply likely drove up citywide rents, damaging housing affordability for future renters, and counteracting the stated claims of the law.

In 1979, San Francisco imposed rent control on all standing buildings with five or more apartments. While all large buildings built as of 1979 would now be rent-controlled, new construction was exempt from the law, since legislators did not want to discourage new development. In addition, smaller multi-family buildings were exempt from rent control since they were viewed as more "mom and pop" ventures, and did not have market power over rents. However, this small multi-family exemption was lifted through a 1994 San Francisco ballot initiative. Proponents of this law change argued small multi-family housing was now primarily owned by large businesses and should face the same rent control restrictions of large multi-family housing. Since the initial 1979 rent control law only impacted properties built from 1979 and earlier, the removal of the small multi-family exemption also only affected properties built 1979 and earlier. This led to quasi-experimental rent control expansion in 1994 based on whether the small multi-family housing was built prior to or post 1980.

To examine rent control's effects on tenant migration and neighborhood choices, we make use of new panel data which provide address-level migration decisions

<sup>1</sup>Notable exceptions to this are Sims (2007) and Autor, Palmer, and Pathak (2014) which use the repeal of rent control in Cambridge, Massachusetts to study its spillover effects onto nearby property values and building maintenance. Neither one of these papers, however, directly studies how rent control impacts tenants.

and housing characteristics for the majority of adults living in San Francisco in the early 1990s. This allows us to define our treatment group as renters who lived in small multi-family apartment buildings built prior to 1980 and our control group as renters living in small multi-family housing built between 1980 and 1990. Using our data, we can follow each of these groups over time up until the present, regardless of where they migrate.

We find that between five and ten years after the law change, the beneficiaries of rent control are, on average, 3.5 percentage points more likely to still remain at their 1994 address relative to the control group. Since only 18 percent of the control group still remained at their 1994 address for this long, this estimate represents a 19.4 percent increase in not moving ( $3.5/18$ ) relative to the control group. We further find that the beneficiaries are 4.5 percentage points more likely to remain in San Francisco relative to the control group, indicating that a large share of the renters who remained at their 1994 address due to rent control would have left San Francisco had they not been covered by rent control. This would likely be viewed as a desirable outcome by rent control advocates.

We next analyze treatment effect heterogeneity along a number of dimensions. We first find that our estimated effects are significantly stronger among older households and among households that have already spent a number of years at their address prior to treatment. This is consistent with the idea that both of these populations are less likely to experience personal shocks requiring them to change residence and thus, are better able to take advantage of the potential savings offered by rent control.

We then examine whether the effects we estimate vary across racial groups. We do not directly observe race in our data, so we use an imputation procedure based on renters' names and addresses.<sup>2</sup> We find rent control has an especially large impact on preventing the displacement of racial minorities from San Francisco, suggesting that rent control helps to foster the racial diversity of San Francisco, at least among the initial cohort of renters covered by the law.

Finally, we analyze whether rent control enables tenants to live in neighborhoods with better amenities. One might expect neighborhoods with the largest increases in market prices and amenities would be ones where tenants would remain in their rent-controlled apartments the longest, since their outside options in the neighborhood would be especially expensive. However, for these same reasons, landlords in these high-rent, high-amenity neighborhoods would have large incentives to remove tenants.<sup>3</sup> They then could either reset rents to market rates with a new tenant or redevelop the building as condos or new construction, both of which are exempt from rent control. These landlord incentives would push rent control tenants out of the nicest neighborhoods. In fact, we find the landlords' incentives appear to dominate. The average tenant treated by rent control lives in a census tract with worse observable amenities, as measured by the census tract's median household income, share of the population with a college degree, median house value, and share unemployed.

<sup>2</sup>We impute race by combining imputed race based on first and last name (Ye et al. 2017) and the racial mix of one's census block of residence in 1990. See Section II for more details.

<sup>3</sup>In practice, landlords use a number of legal means to remove their tenants, including owner move-in eviction, Ellis Act eviction, or monetary compensation. Landlords may also engage in various pressure tactics, such as tardy maintenance, to pressure tenants to leave.

Thus, while rent control does prevent displacement from San Francisco, it does not provide access to the best neighborhoods in the city.

The evidence above suggests that landlords do not passively accept the burdens of the law. To further study the landlord response to the rent control expansion and to understand the impact of rent control on rental supply, we merge in historical parcel history data from the San Francisco Assessor's Office, which allows us to observe parcel splits and condo conversions. We find that rent-controlled buildings were 8 percentage points more likely to convert to a condo or a Tenancy in Common (TIC) than buildings in the control group. Consistent with these findings, we find that rent control led to a 15 percentage point decline in the number of renters living in treated buildings and a 25 percentage point reduction in the number of renters living in rent-controlled units, relative to 1994 levels. This large reduction in rental housing supply was driven by both converting existing structures to owner-occupied condominium housing and by replacing existing structures with new construction.

This 15 percentage point reduction in the rental supply of small multi-family housing likely led to rent increases in the long run, consistent with standard economic theory. In this sense, rent control operated as a transfer between the future renters of San Francisco (who would pay these higher rents due to lower supply) to the renters living in San Francisco in 1994 (who benefited directly from lower rents). Furthermore, since many of the existing rental properties were converted to higher-end, owner-occupied condominium housing and new construction rentals, the passage of rent control ultimately led to a housing stock which caters to higher income individuals. We directly test whether rent control led to in-migration of higher income residents by imputing household income as the per capita income of the census block groups in which the building occupants resided in five year prior. We find that this high-end housing, developed in response to rent control, attracted residents with at least 18 percent higher income, relative to control group buildings in the same zip code.

Taking all of these points together, it appears rent control has actually contributed to the gentrification of San Francisco, the exact opposite of the policy's intended goal. Indeed, by simultaneously bringing in higher income residents and preventing displacement of minorities, rent control has contributed to widening income inequality of the city. For a full quantitative analysis of the welfare gains and losses due to rent control, see our companion paper (Diamond, McQuade, and Qian 2018), which estimates a dynamic discrete choice model of tenant migration and performs general equilibrium counterfactual analysis of the impacts of rent control.

Our paper is part of the literature on rent control. The two papers most closely related to ours are Sims (2007) and Autor, Palmer, and Pathak (2014), both of which study the effects of *ending* rent control in the Boston metropolitan area. Sims (2007) uses American Housing Survey (AHS) data to show that towns in the Boston metropolitan area in which rent control was abolished saw increases in rental supply and increased housing maintenance. Sims (2007) also shows some evidence of spillover effects on non-controlled properties. Autor, Palmer, and Pathak (2014) use property-level data on assessed values and transaction prices in Cambridge, Massachusetts to investigate these spillover effects more directly. They show that decontrol led to price appreciation at decontrolled and never-controlled units.



Our paper is different on a number of important dimensions. First, our paper uses a different natural experiment which has the nice feature of generating quasi-random assignment of rent control within narrowly defined neighborhoods. More substantively, by bringing to bear a unique, rich, and previously unused dataset, our paper is the first in this literature to be able to study how rent control impacts the behavior of the actual tenant beneficiaries. These estimates reveal a number of important insights regarding the value tenants place on rent control protections and rent control's ability to limit displacement, but also potential limitations in the ability of tenants to realize rent savings due to landlord responses.

Finally, since our unique data provide property-level information on renovations, condo conversions, and redevelopment, our paper shows that rent control can lead to an upgraded housing stock catering to higher income individuals. Indeed, the previous literature has shown that ending rent control leads to higher maintenance and higher nearby property values. To reconcile these seemingly conflicting points, it is crucial to understand that decontrol studies the effects of removing rent control on buildings which *still remain* covered. In fact, one of our key points is to show that a large share of landlords substitute away from supply of rent-controlled housing, making those properties which remain subject to rent control a selected set. In this way, studying the introduction of rent control, which our paper does, is not the same as studying the abolishment of rent control.

There also exists an older literature on rent control combining applied theory with cross-sectional empirical methods. These papers test whether the data are consistent with the theory being studied, but usually cannot quantify causal effects of rent control (Early 2000, Glaeser and Luttmer 2003, Gyourko and Linneman 1989, Gyourko and Linneman 1990, Moon and Stotsky 1993, Olsen 1972).

The remainder of the paper proceeds as follows. Section I discusses the history of rent control in San Francisco. Section II discusses the data used for the analysis. Section III presents our empirical results. Section IV concludes.

## I. A History of Rent Control in San Francisco

Regulations are widespread in housing markets, and rent controls are arguably among the most important historically (Stigler and Friedman 1946, Gyourko and Glaeser 2008). The modern era of US rent controls began as a part of World War II era price controls and as a reaction to housing shortages following demographic changes immediately after the war (Fetter 2016). These "hard price controls" that directly regulate the exact price of housing have been replaced by newer policies that regulate rent increases (Arnott 1995). This "newer style" policy is what exists in San Francisco.

Rent control in San Francisco began in 1979, when acting Mayor Dianne Feinstein signed San Francisco's first rent control law. Pressure to pass rent control measures was mounting due to high inflation rates nationwide, strong housing demand in San Francisco, and recently passed Proposition 13.<sup>4</sup> This law capped annual nominal rent increases to 7 percent and covered all rental units built before June 13,

<sup>4</sup>Proposition 13, passed in 1978, limited annual property tax increases for owners. Tenants felt they were entitled to similar benefits in the form of capped annual rent increases.



1979 with one key exemption: owner-occupied buildings containing 4 units or less.<sup>5</sup> These “mom and pop” landlords were cast as being less profit-driven than large-scale, corporate landlords, and more similar to the tenants being protected. These small multi-family structures made up about 44 percent of the rental housing stock in 1990, making this a large exemption to the rent control law.

While this exemption was intended to target “mom and pop” landlords, in practice small multi-families were increasingly purchased by larger businesses who would then sell a small share of the building to a live-in owner so as to satisfy the rent control law exemption. This became fuel for a new ballot initiative in 1994 to remove the small multi-family rent control exemption. This ballot initiative barely passed in November 1994. Suddenly, all multi-family structures with four units or less built in 1979 or earlier were now subject to rent control. These small multi-family structures built prior to 1980 remain rent-controlled today, while all of those built from 1980 or later are still not subject to rent control. San Francisco rent control laws have remained stable since then, possibly due to the statewide Costa-Hawkins Act. This law precludes any California city from rent controlling any housing stock built 1994 or later and regulates the scope of rent control allowed. For example, it requires rent-controlled apartment rents to be unregulated between tenants.

## II. Data

We bring together data from multiple sources to enable us to observe property characteristics, determine treatment and control groups, track the migration decisions of tenants, and observe the property decisions of landlords. Our first dataset is from Infutor, which provides the entire address history of individuals who resided in San Francisco at some point between the years of 1980 and 2016.<sup>6</sup> The data include not only individuals’ San Francisco addresses, but any other address within the United States at which that individual lived during the period of 1980–2016. The dataset provides the exact street address, the month and year in which the individual lived at that particular location, the name of the individual, and some demographic information including age and gender.

We link these data to property records provided by DataQuick. These data provide us with a variety of property characteristics, such as the use-code (single-family, multi-family, commercial, etc.), the year the building was built, and the number of units in the structure. For each property, the data also detail its transaction history since 1988, including transaction prices, as well as the buyer and seller names. By comparing last names in Infutor to the listed owners of the property in DataQuick, we are able to distinguish owners from renters.

Next, we match each address to its official parcel number from the San Francisco Assessor’s office. Using the parcel ID number from the Secured Roll data, we merge in any building permits that have been associated with that property since 1980. These data come from the San Francisco Planning office. This allows us to track

<sup>5</sup>The annual allowable rent increase was cut to 4 percent in 1984 and later to 60 percent of the CPI in 1992, where it remains today.

<sup>6</sup>Infutor is a data aggregator of address data using many sources including sources such as phone books, voter files, property deeds, magazine subscriptions, credit header files, and others.

large investments in renovations over time based on the quantity and type of permit issued to each building.

Finally, the parcel number also allows us to link to the parcel history file from the Assessor's office. This allows us to observe changes in the parcel structure over time. In particular, this allows us to determine whether parcels were split off over time, a common occurrence when a multi-family apartment building (one parcel) splits into separate parcels for each apartment during a condo conversion.

Summary statistics are provided in Table 1. We see the average renter in our sample in 1994 is about 37 years old and has lived at their current address for 6 years. We also see that these small multi-family properties are made up of 82 percent (0.74/0.9) renters and 18 percent owner occupants prior to 1994.

### A. Data Representativeness

To examine the representativeness of the Infutor data, we link all individuals reported as living in San Francisco in 1990 to their census tract, to create census tract population counts as measured in Infutor. We make similar census tract population counts for the year 2000 and compare these San Francisco census tract population counts to those reported in the 1990 and 2000 Census for adults 18 years old and above. Regressions of the Infutor populations on census population are shown in Figure 1.<sup>7</sup> Panel A shows that for each additional person recorded in the 1990 Census, Infutor contains an additional 0.44 people, suggesting we have a 44 percent sample of the population. While we do not observe the universe of San Francisco residents in 1990, the data appear quite representative, as the census tract population in the 1990 Census can explain 69 percent of the census tract variation in population measured from Infutor. Our data are even better in the year 2000. Panel B shows that we appear to have 1.1 people in Infutor for each person observed in the 2000 US Census. We likely overcount the number of people in each tract in Infutor since we are not conditioning on year of death in the Infutor data, leading to overcounting of alive people. However, the Infutor data still tracks population well, as the census tract population in the 2000 Census can explain 90 percent of the census tract variation in population measured from Infutor.

Infutor also provides information on age. As additional checks, we compare the population counts within decadal age groups living in a particular census tract as reported by Infutor to that reported by the Census. We again report the results for both 1990 and 2000. Unlike the prior analysis, we must drop Infutor observations missing birth date information for this, making our sample smaller. As shown in panel A of Table 2, the slopes of the regression lines for the 18–29, 30–39, 40–49, 50–59, and 60–69 age groups are 0.31, 0.44, 0.42, 0.24, and 0.16, respectively. This indicates the Infutor coverage is strongest for 30–49-year-olds in 1990. The  $R^2$  values are also the highest in this age range at 65 to 76 percent. The coverage of the data improves dramatically by 2000, as shown in panel A of Table 2. The regression line slopes for the respective age groups are now 0.33, 0.74, 0.72, 0.70, 0.45. The  $R^2$  values range from 0.61–0.85. It is clear the data disproportionately undersamples

<sup>7</sup>We only can do data validation relative to the US Censuses for census tracts in San Francisco because we only have address histories for people who lived in San Francisco at some point in their life.

TABLE 1—SAMPLE CHARACTERISTICS OF MULTI-FAMILY PROPERTIES (2–4 UNITS) AND THEIR TENANTS

	1990–1993			1994–2016		
	Treat	Control	Difference	Treat	Control	Difference
<i>Panel A. Tenants living in multi-family residence (2–4 units)</i>						
A1. Demographics						
Age in 1993	37.708 (10.438)	37.120 (10.639)	0.587 (0.247)	37.708 10.438	37.120 (10.639)	0.587 (0.247)
A2. Residency						
In San Francisco	0.954 (0.210)	0.954 (0.210)	0.000 (0.002)	0.569 (0.495)	0.538 (0.499)	0.032 (0.002)
Same address	0.870 (0.336)	0.867 (0.340)	0.003 (0.004)	0.261 (0.439)	0.240 (0.427)	0.021 (0.002)
Years at address	6.015 (3.958)	5.825 (3.927)	0.190 (0.047)	6.590 (5.898)	6.267 (5.530)	0.324 (0.029)
Number of persons	44,502	1,861	46,363	44,502	1,861	46,363
<i>Panel B. Multi-family properties (2–4 units)</i>						
B1. Residency						
Conversion	0.000 (0.009)	0.000 (0.000)	0.000 (0.000)	0.096 (0.294)	0.044 (0.206)	0.051 (0.002)
B2. Population, 1990–1994						
Population/avg. population	0.898 (0.436)	0.905 (0.426)	–0.008 (0.007)	2.282 (4.029)	2.252 (2.998)	0.030 (0.028)
Renters/avg. population	0.741 (0.484)	0.737 (0.482)	0.004 (0.008)	1.680 (3.555)	1.700 (2.517)	–0.020 (0.025)
Renters in rent-controlled buildings/avg. population	0.741 (0.484)	0.737 (0.482)	0.004 (0.008)	1.404 (1.927)	1.570 (2.053)	–0.165 (0.014)
Renters in redeveloped buildings/avg. population	0 (0)	0 (0)	0 (0)	0.129 (0.740)	0.060 (0.541)	0.069 (0.005)
Owners/avg. population	0.157 (0.329)	0.168 (0.335)	–0.012 (0.006)	0.602 (1.581)	0.552 (1.348)	0.050 (0.011)
B3. Permits						
Cumulative Add/alter/repair per unit	0.072 (0.231)	0.088 (0.287)	–0.016 (0.004)	0.290 (0.511)	0.254 (0.536)	0.035 (0.004)
Number of parcels	25,925	892	26,817	25,925	892	26,817

*Notes:* Panel A reports the summary statistics of the demographic characteristics and residency outcomes during 1990–2016 of our tenant sample. The sample consists of all tenants between 20 and 65 years old living in San Francisco as of December 31, 1993 and in multi-family residences with 2–4 units that were built during 1900–1990. Panel B reports the summary statistics of the outcomes variables related to residency, population changes, and permit issuance during 1990–2016 of our property sample. The sample consists of all parcels that are multi-family residence with 2–4 units in San Francisco that were built during 1900–1990. The *Treat* and *Control* columns report the mean and standard deviation (in parentheses) of each outcome variable at the tenant level in panel A and at the property level in panel B. The *Difference* column reports the coefficient and standard error (in parentheses) of a regression of each outcome variable on the treatment dummy at the tenant level in panel A and at the property level in panel B.

the youngest group, but this is unsurprising as these data come from sources such as credit header files, voter files, and property deeds. Eighteen-year-olds are less likely to show up in these sources right away. Overall the data coverage looks quite good.

As described above, we merge the Infutor data with public records information provided by DataQuick about the particular property located at a given address, such as use-code and age of the property. We assess the quality of the matching procedure by comparing the distribution of the year buildings were built across census tracts among addresses listed as occupied in Infutor versus the 1990 and 2000 Censuses.

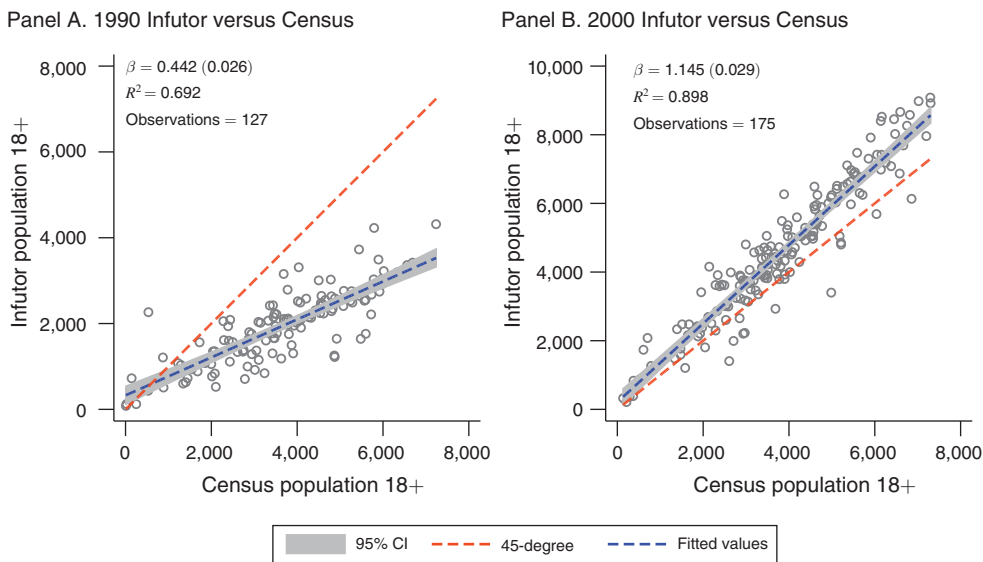


FIGURE 1. VALIDATION OF INFUTOR POPULATION VERSUS US CENSUS POPULATION

Notes: Plot shows the population of 18 and over in each census tract in 1990 and 2000 from Infutor data against that from 1990 and 2000 Censuses, respectively. The fitted line is by OLS.

TABLE 2—REPRESENTATIVENESS OF INFUTOR DATA: POPULATION BY AGE GROUPS AND AGE OF OCCUPIED HOUSING STOCKS

Age group	1990			Age group	2000		
	Slope	SE	R <sup>2</sup>		Slope	SE	R <sup>2</sup>
<i>Panel A. Population by age group</i>							
18–29	0.314	0.026	0.534	18–29	0.325	0.016	0.696
30–39	0.444	0.022	0.758	30–39	0.744	0.024	0.850
40–49	0.416	0.027	0.649	40–49	0.715	0.032	0.741
50–59	0.237	0.023	0.458	50–59	0.695	0.033	0.723
60–69	0.159	0.015	0.469	60–69	0.447	0.027	0.611
<i>Panel B. Age of occupied housing</i>							
Year built	Slope	SE	R <sup>2</sup>	Year built	Slope	SE	R <sup>2</sup>
1970–1990	0.639	0.046	0.667	1980–2000	0.813	0.024	0.876
1950–1969	0.928	0.046	0.807	1960–1979	1.083	0.036	0.853
1940–1949	1.111	0.035	0.911	1950–1959	0.955	0.049	0.711
1939 or earlier	1.024	0.040	0.872	1940–1949	1.323	0.042	0.863
				1939 or earlier	1.144	0.036	0.863

Notes: Panel A reports the coefficients, standard errors, and R<sup>2</sup> values of regressing the population counts within various age groups in each census tract from Infutor data against those from the Census in the year 1990 and 2000 respectively. Panel B reports the coefficients, standard errors, and R<sup>2</sup> values of regressing the fraction of buildings built in various time periods in each census tract from Infutor data against those from the Census in the year 1990 and 2000 respectively. In panel B, the regressions are weighted by the number of occupied housing units in each census tract from the Census.

If a building is constructed after 1993 according to its current day use-code, but we observe a person living there in 1993, we include it in the treatment group for rent control. Panel B of Table 2 shows the age distribution of the occupied stock by census tract. In both of the years 1990 and 2000, our R<sup>2</sup> values range from 67 percent

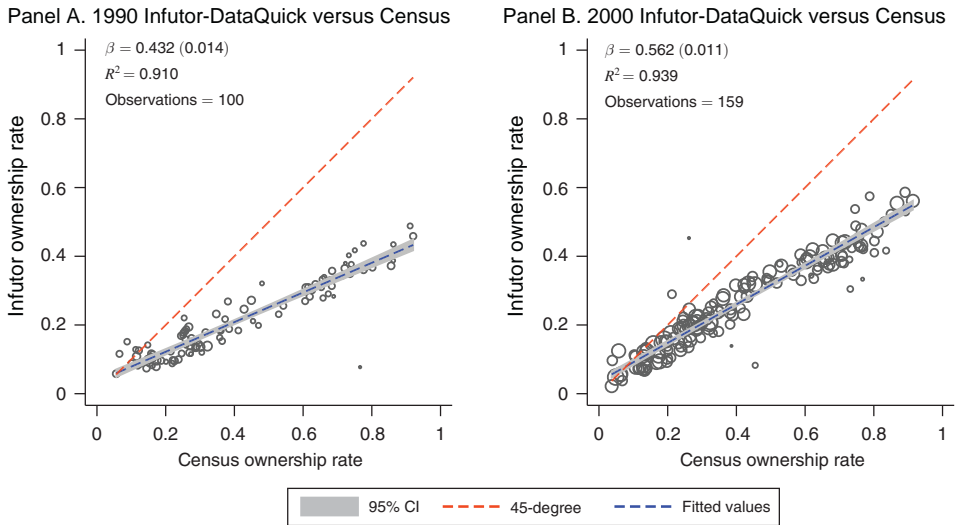


FIGURE 2. HOME OWNERSHIP RATES IN INFUTOR-DATAQUICK VERSUS US CENSUS

Notes: Plot shows census tract average owner occupant rates in 1990 and 2000 from Infutor-DataQuick data versus that from 1990 and 2000 Censuses. The size of marker is proportional to the number of occupied housing units in each census tract. The fitted line is by weighted least squares.

to 91 percent and we often cannot reject a slope of 1.<sup>8</sup> This highlights the extremely high quality of the linked Infutor-DataQuick data, as the addresses are clean enough to merge in the outside data source DataQuick and still manage to recover the same distribution of building ages as reported in both the 1990 and 2000 Censuses.

To measure whether Infutor residents were owners or renters of their properties, we compare the last names of the property owners list in DataQuick to the last names of the residents listed in Infutor. Since property can be owned in trusts, under a business name, or by a partner or spouse with a different last name, we expect to underclassify residents as owners. Figure 2 plots the Infutor measure of ownership rates by census tract in 1990 and 2000, respectively, against measures constructed using the 1990 and 2000 Censuses. In 1990 (2000), a 1 percentage point increase in the owner-occupied rate leads to a 0.43 (0.56) percentage point increase in the ownership rate measured in Infutor. Despite the undercounting, our cross-sectional variation across census tract matches the 1990 and 2000 censuses extremely well, with  $R^2$  values over 90 percent in both decades. This further highlights the quality of the Infutor data.

### B. Imputing Tenant Race

We use a two-step procedure to impute the race/ethnicity of individuals in our main sample of analysis: all tenants between 20 and 65 years old living in San Francisco as of December 31, 1993. In the first step, we use NamePrism, a

<sup>8</sup> Since year built comes from the Census long form, these data are based only on a 20 percent sample of the true distribution of building ages in each tract, creating measurement error that is likely worse in the census than in the merged Infutor-DataQuick data.

non-commercial ethnicity/nationality classification tool intended to support academic research (Ye et al. 2017), to compute baseline probabilities of race/ethnicity for each tenant based on her first name and last name. In the second step, we use Bayes' rule to update the name-based probabilities for race and ethnicity using the local racial distribution at each tenant's place of residence in 1990, following a similar methodology used by the Consumer Financial Protection Bureau (CFPB 2014). More details about each step are provided below.

In step 1, for each tenant, we use both her first and last name to query the NamePrism online tool and obtain baseline probabilities for the six ethnic categories defined by the US Census Bureau: Hispanic; non-Hispanic white; non-Hispanic black or African American; non-Hispanic Asian/Pacific Islander; non-Hispanic American Indian and Alaska Native; and non-Hispanic Multi-racial.<sup>9</sup> NamePrism employs a training dataset of 57 million contact lists from a major internet company, US Census data on the distribution of last names by race, and trains its algorithm using the homophily principle exhibited in communication as the basis for its ethnicity classifier.<sup>10</sup> In this step, each tenant is assigned a probability, ranging from 0 percent to 100 percent, of belonging to each of the six ethnic groups, and the six probabilities sum to 1.

In step 2, we update each tenant's baseline racial probabilities with the racial and ethnic characteristics of the census block associated with her place of residence in 1990 using Bayes' rule to obtain posterior probabilities for the six ethnic groups.<sup>11</sup> In particular, for a tenant with name  $s$  who resides in geographic area  $g$ , we calculate the probability of race or ethnicity  $r$  for each of the six categories for a given name  $s$ , denoted as  $\Pr(r|s)$ . From the Summary File 1 (SF1) from Census 1990, we obtain the proportion of the population belonging to race or ethnicity  $r$  that lives in geographic area  $g$ , denoted as  $\Pr(g|r)$ . Bayes' rule then gives the probability that a tenant with name  $s$  residing in geographic area  $g$  belongs to race or ethnicity  $r$ :

$$\Pr(r|g,s) = \frac{\Pr(r|s)\Pr(g|r)}{\sum_{r' \in R} \Pr(r'|s)\Pr(g|r')}$$

where  $R$  denotes the set of six ethnic categories. An assumption necessary for the validity of the Bayesian updating procedure is that the probability of living in a given geographic area, given one's race, is independent of one's name. For example, it assumes that blacks with the name John Smith are just as likely to live in a certain neighborhood as blacks in general.

For each tenant, we then assign a final racial probability if the maximum of the six posterior probabilities is equal to or above 0.8, and a final racial/ethnic category corresponding to the maximum posterior; otherwise a tenant's race/ethnicity is unclassified. Table 3 shows the breakdown of our racial and ethnic classification for our main sample of analysis.

<sup>9</sup>This classification considers Hispanic as mutually exclusive from the race categories, with individuals identified as Hispanic belonging only to that category, regardless of racial background.

<sup>10</sup>People tend to communicate more frequently with others of similar age, language, and location.

<sup>11</sup>In practice, census block level information on the racial and ethnic composition is available for 94.7 percent of our sample. For the rest of sample, we use racial and ethnic composition at the census block group (4 percent), census tract (0.2 percent), and 5-digit zip code levels (1 percent), whichever one is first available in the order listed. We set the posterior probabilities equal to the baseline probabilities from NamePrism for the rest: 0.1 percent of our sample.



TABLE 3—2010 CENSUS BLOCK RACIAL DISTRIBUTION BY TENANTS' RACE AMONG 1994 RENT CONTROL COHORT

	Average share in 2010 census block				Sample share (5)	SF overall	
	White (1)	Black (2)	Hispanic (3)	Asian (4)		1990 census (6)	2010 census (7)
<i>Predicted race</i>							
White	63.4	4.2	12.1	16.4	75.01	57.36	52.26
Black	24.8	24.0	24.4	22.8	1.40	7.72	4.69
Hispanic	33.7	6.3	31.4	24.9	8.20	14.18	18.28
Asian	38.1	4.1	13.2	40.8	15.39	20.16	24.51

*Notes:* Sample consists of all tenants with a classified race/ethnicity between 20 and 65 years old living in San Francisco as of December 31, 1993 and in multi-family residences with 2–4 units that were built during 1900–1990. We geocode the 2010 addresses of tenants in our sample to the census block level. Columns 1–4 report the average shares of white, black, Hispanic, and Asian population in the census blocks containing the 2010 addresses of tenants in each classified racial/ethnic category. Column 5 reports the share of our sample by predicted race. Columns 6 and 7 report the share of tenants in San Francisco between 20 and 65 years old who were living in small multi-family residences by racial/ethnic categories according to the 1990 and 2010 US censuses.

Our methodology is similar to what's used by the CFPB to construct proxy consumer race in order to conduct fair lending analysis. CFPB (2014) and Elliott et al. (2009) demonstrate that combining geography- and name-based information into a single proxy probability for race/ethnicity significantly outperforms traditional classification methods based on names or geography alone. The key difference between our method and CFPB's method is that we use NamePrism to compute "prior" probabilities, whereas CFPB relies on the racial distribution for common last names in the United States published by the Census Bureau (Comenetz 2016). Since NamePrism uses both first and last names from a much larger name database, it is able to classify race/ethnicity for a much wider range of names at higher accuracy. Moreover, we use census block level racial composition for Bayesian updating of racial probabilities whenever possible, whereas CFPB uses racial distribution at the census block group level, which is a larger geographic unit, and thus less refined.

*Validation of Race Imputation.*—We report some summary statistics regarding our race imputation methodology and perform a few validation checks. Using our imputation procedure and the linked Infutor-DataQuick data, we first report in column 5 of Table 3 the racial distribution of all tenants aged 20–65 living in multi-family residences with 2–4 units as of December 31, 1993. Column 6 of Table 3 reports the 1990 Census measure of this distribution. As in the census, we find that Asians are the most numerous minority, followed by Hispanics and then blacks. This table also shows that our procedure somewhat overrepresents whites in San Francisco and underrepresents the number of minorities. This is because we only assign a race to an individual if the probability of that race is above 80 percent. In practice, this means 8,009 tenants are not assigned a race, equal to 17.27 percent of our tenant sample. Many of these unassigned individuals are likely minorities, as a large fraction of the unassigned are those with minority-sounding names but who live in relatively racially integrated neighborhoods.<sup>12</sup>

<sup>12</sup>If we do not impose this cutoff and instead simply calculate raw means of each racial group's probabilities, our racial distribution looks much closer to the distribution reported by the Census. We feel that imposing the cutoff is appropriate, however, since it ameliorates concerns regarding measurement error in our regression analysis by

To further validate our methodology, we examine the average racial makeup of the 2010 census block in which our assigned individuals live. Note that this is an out-of-sample check since we use an individual's 1990 address, not their 2010 address, in our imputation procedure. The results are reported in columns 1 through 4 of Table 3. Consistent with what one would expect from some degree of continued racial sorting, individuals we classify as white live in neighborhoods with the greatest fraction of whites (as of 2010), those we classify as black live in neighborhoods with the greatest fraction of blacks (as of 2010), and similarly for Hispanics and Asians. The same sorting result appears when we regress racial shares of an individual's 2010 census block on the individual's assigned race. The results are reported in online Appendix Table A2, with black being the omitted category. For example, being white is the strongest positive predictor of the 2010 white share, being Hispanic is the strongest positive predictor of the 2010 Hispanic share, and similarly for Asians and blacks.

### III. Empirical Results

Studying the effects of rent control is challenged by the usual endogeneity issues. The tenants who choose to live in rent-controlled housing, for example, are likely a selected sample. To overcome these issues, we exploit the successful 1994 ballot initiative which removed the original 1979 exemption for small multi-family housing of four units or less, as discussed in Section I.

In 1994, as a result of the ballot initiative, tenants who happened to live in small multi-family housing built prior to 1980 were, all of a sudden, protected by statute against rent increases. Tenants who lived in small multi-family housing built 1980 and later continued to not receive rent control protections. We therefore use as our treatment group those renters who, as of December 31, 1993, lived in multi-family buildings of less than or equal to four units, built between years 1900 and 1979. We use as our control group those renters who, as of December 31, 1993, lived in multi-family buildings of less than or equal to four units, built between the years of 1980 and 1990. We exclude those renters who lived in small multi-family buildings constructed post-1990 since individuals who choose to live in new construction may constitute a selected sample and exhibit differential trends. We also exclude tenants who moved into their property prior to 1980, as none of the control group buildings would have been constructed at the time.

When examining the impact of rent control on the parcels themselves, we use small multi-family buildings built between the years of 1900 and 1979 as our treatment group and buildings built between the years of 1980 and 1990 as our control group. We again exclude buildings constructed in the early 1990s to remove any differential effects of new construction. Figure 3 shows the geographic distribution of treated buildings and control buildings in San Francisco. Since our control group was built over a narrow time span, the sample size of the treatment group is much larger than the control group. However, the control group buildings cover many

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restricting to those individuals whose racial classification is more precise. We investigate using the entire sample as a robustness check in the online Appendix.



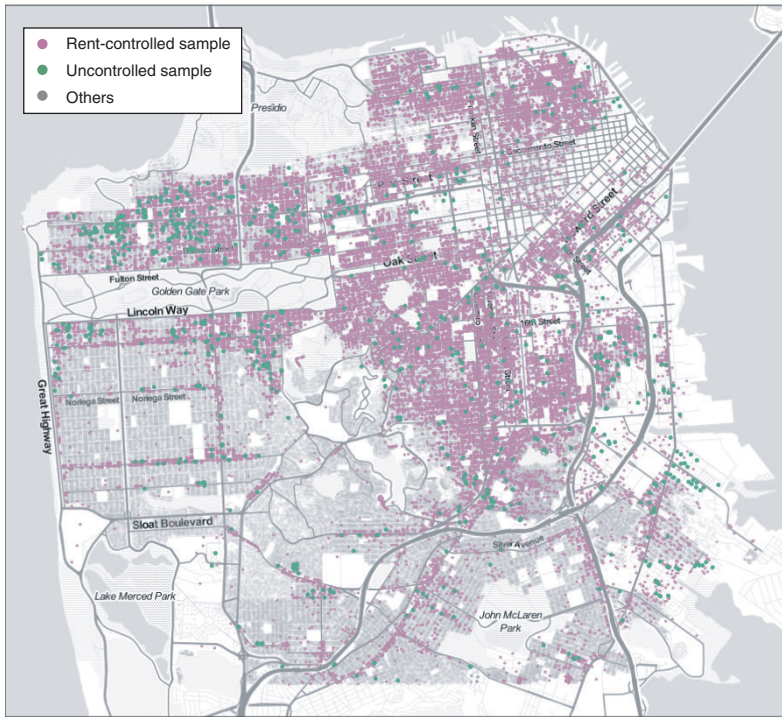


FIGURE 3. GEOGRAPHIC DISTRIBUTION OF TREATED AND CONTROL BUILDINGS IN SAN FRANCISCO

*Notes:* The purple dots represent parcels in the treatment group, which are parcels corresponding to multi-family residences with 2–4 units in San Francisco that were built between 1900–1979. The green dots represent parcels in the control group, which are parcels corresponding to multi-family residences with 2–4 units in San Francisco that were built between 1980–1990. The gray dots represent other types of housing stocks such as single-family residences and multi-family residences with five or more units.

neighborhoods across San Francisco, giving the treatment and control samples good overlap.

We next estimate balance tests between our treatment and control samples to evaluate whether rent control status was as good as randomly assigned. Table 1 compares the characteristics of tenants in treatment and control buildings, from 1990–1993, prior to treatment. The comparisons in raw means do not control for the zip code of the building, which we will always condition on in our analysis. Panel A shows that tenants in the treated buildings are 0.6 years older than tenants in control buildings. This is unsurprising as the older buildings have been around much longer, allowing for longer tenancies and thus older residents. Indeed, we also see that the average tenant in the treatment building has lived there for 6 years prior to treatment, while control group tenants have lived there for 5.8 years. To account for this differences, we will always condition on the length of tenancy, measured at the time of treatment, when comparing treatment and control groups in the following analysis.

We begin our analysis by studying the impact of rent control provisions on its tenant beneficiaries. Policy advocates argue that tenants covered by rent control will be dramatically helped by lower housing costs, thereby enabling them to stay in communities that they have lived in for a number years and grown attached to. We

evaluate these claims first by quantifying rent control's impact on the initial cohort of tenants living in the properties newly covered by the law. Later, in Section IIIB we examine how landlords' responses to the law change impacted the long-run housing supply of rental properties. In light of these findings, we then return to and evaluate the claim that rent control helps tenants by lowering housing costs and preventing displacement.

### A. Tenant Effects

We first examine whether rent control "locks tenants into their apartments," extending the duration of time they live at the address where they were first covered by rent control. On the one hand, locking tenants into their apartments could be viewed as a cost of rent control. Tenants might not be able to move to different types of housing as their needs change, such as when they get married or have a child. On the other hand, if tenants' lack of migration not only keeps them in the same apartment but enables them to stay in San Francisco overall, then this could be viewed as a success in that rent control prevents displacement.

To evaluate these effects we use a difference-in-differences design described above, with the following exact specification:

$$(1) \quad Y_{iszt} = \delta_{zt} + \alpha_i + \beta_t T_i + \gamma_{st} + \epsilon_{it}.$$

Here,  $Y_{iszt}$  are outcome variables equal to 1 if, in year  $t$ , the tenant  $i$  is still living at either the same address as they were at the end of 1993, or, alternatively, if the tenant is still living in San Francisco. The variables  $\alpha_i$  denote individual tenant fixed effects. The variable  $T_i$  denotes treatment, equal to 1 if, on December 31, 1993, the tenant is living in a multi-family building with less than or equal to four units built between the years 1900 and 1979.

We include fixed effects  $\gamma_{st}$  denoting the interaction of dummies for the year  $s$  the tenant moved into their 1993 apartment with calendar year  $t$  time dummies. These additional controls are needed since older buildings are mechanically more likely to have long-term, low-turnover tenants; not all of the control group buildings were built when some tenants in older buildings moved in. Finally, note we have included a full set of zip-code-by-year fixed effects,  $\delta_{zt}$ . In this way, we control for any differences in the geographic distribution of treated buildings versus control buildings, ensuring that our identification is based off of individuals who live in the same neighborhood, as measured by zip code. Our coefficient of interest, quantifying the effect of rent control on future residency, is denoted by  $\beta_t$ .

Our estimated effects are shown in Figure 4, along with 90 percent confidence intervals. As further evidence of random assignment, we see no pre-trends leading up to time of treatment. Exactly at time of treatment we see a large spike in the probability that the treatment group remains at their 1993 address, versus the control group. We can see that tenants who receive rent control protections are persistently more likely to remain at their 1993 address relative to the control group. This effect decays over time, which likely reflects that as more years go by, all tenants are increasingly likely to move away from where they lived in 1993. Further, we find that treated tenants are also more likely to be living in San Francisco. This result

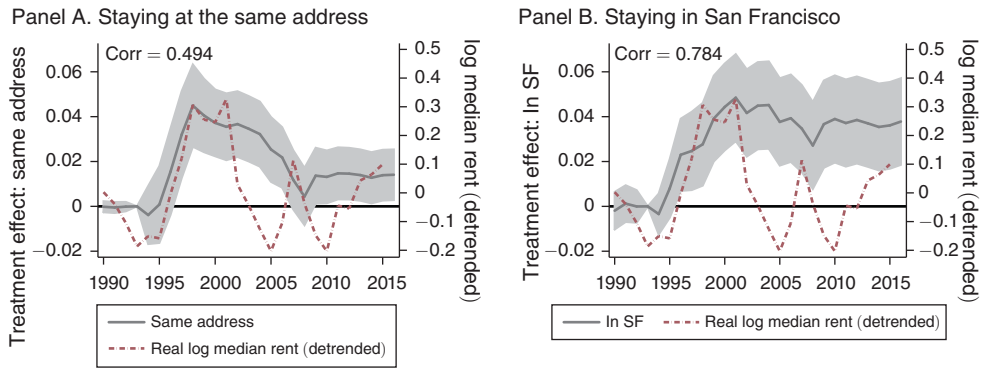


FIGURE 4. TREATMENT EFFECT FOR TENANTS IN MULTI-FAMILY RESIDENCE (2–4 UNITS)

*Notes:* Sample consists of all tenants between 20 and 65 years old living in San Francisco as of December 31, 1993 and in multi-family residences with 2–4 units that were built during 1900–1990. The solid line plots the treatment effects for staying at the same address in panel A and staying in San Francisco in panel B along with 90 percent CI in shaded area. The dotted line plots the yearly deviation from the log trend in median rental rates. Standard errors are clustered at the person level.

indicates that the assignment of rent control not only impacts the type of property a tenant chooses to live in, but also their choice of location and neighborhood type.

These figures also illustrate how the time pattern of our effects correlates with rental rates in San Francisco.<sup>13</sup> We would expect our results to be particularly strong in those years with quickly rising rents and thus large potential savings. Along with our yearly estimated effect of rent control, we plot the yearly deviation from the log trend in rental rates against our estimated effect of rent control in that given year. We indeed see that our effects grew quite strongly in the mid- to late-1990s in conjunction with quickly rising rents, relative to trend. Our effects then stabilize and slightly decline in the early 2000s in the wake of the dot-com bubble crash, which led to falling rental rates relative to trend. Overall, we measure a correlation of 49.4 percent between our estimated same address effects and median rents, and a correlation of 78.4 percent between our estimated SF effects and median rents.

In Table 4, we collapse our estimated effects into a short-term 1994–1999 effect, a medium-term 2000–2004 effect, and a long-term post-2005 effect. We find that in the short run, tenants in rent-controlled housing are 2.18 percentage points more likely to remain at the same address. This estimate reflects a 4.03 percent increase relative to the 1994–1999 control group mean of 54.10 percent. In the medium term, rent-controlled tenants are 3.54 percentage points more likely to remain at the same address, reflecting a 19.38 percent increase over the 2000–2004 control group mean of 18.27 percent. Finally, in the long term, rent-controlled tenants are 1.47 percentage points more likely to remain at the same address. This is a 12.95 percent increase over the control group mean of 11.35 percent. Whether these effects should widen

<sup>13</sup> Annual advertised rents from the San Francisco Chronicle and Craigslist have been collected by Eric Fischer (<https://github.com/ericfischer/housing-inventory/>). Since we do not have the microdata, this gives us an aggregate San Francisco-wide annual time series of rents. Given that these data are based on actual listings, this is likely the most accurate measure of true market rate rents, among all possible data sources.

TABLE 4—TREATMENT EFFECT FOR TENANTS OF MULTI-FAMILY RESIDENCE (2–4 UNITS)

	In SF (1)	Same address (2)
Treat × period		
1994–1999	0.0200 (0.0081)	0.0218 (0.0083)
2000–2004	0.0451 (0.0115)	0.0354 (0.0088)
Post 2005	0.0366 (0.0109)	0.0147 (0.0063)
Control mean, 1994–1999	0.7641	0.5410
Control mean, 2000–2004	0.5138	0.1827
Control mean, post-2005	0.4346	0.1135
Adjusted $R^2$	0.586	0.608
Observations	1,251,801	1,251,801

*Notes:* Sample consists of all tenants between 20 and 65 years old living in San Francisco as of December 31, 1993 and in multi-family residences with 2–4 units that were built during 1900–1990. Table reports the mean of dependent variables for the control group during 1990–1994, 2000–2004, and post-2005. Standard errors are clustered at the person level.

or narrow over time is ambiguous. On one hand, the wedge between market rate rents and rent control rents diverge, the longer one remains at one's rent-controlled address. On the other hand, the mismatch between one's 1993 address and the ideal location and type of housing is likely to grow over time, pushing tenants to give up their rent control. Since our long-term results are smaller than our medium-term findings, it appears the mismatch effect begins to grow faster than the below market rent effect over the medium to long term.

Tenants who benefit from rent control are 2.00 percentage points more likely to remain in San Francisco in the short-term, 4.51 percentage points more likely in the medium-term, and 3.66 percentage points more likely in the long term. Relative to the control group means, these estimates reflect increases of 2.62 percent, 8.78 percent, and 8.42 percent, respectively. Since these numbers are of the same magnitude as the treatment effects of staying at one's exact 1993 apartment, we find that absent rent control a large share of those incentivized to stay in their apartments would have otherwise moved out of San Francisco. Since most of the tenants "locked" into their apartments by rent control would have otherwise left the city rather than select a different apartment in the same neighborhood, the allocative inefficiency effects of rent control might be smaller than its impacts on preventing displacement.

*Robustness.*—A key identifying assumption for our analysis is that once neighborhood characteristics have been controlled for, as well as the number of years lived in the apartment as of December 31, 1993, those living in older versus newer buildings would not exhibit differential trends in migration. As a robustness test, in panel A of Table 5, we have restricted our treatment group to individuals who lived in structures built between 1960 and 1979, thereby comparing tenants in buildings built slightly before 1979 to tenants in buildings built slightly after 1979. We find statistically indistinguishable results from our main analysis, with point estimates actually 5 percent to 63 percent larger across the six point estimates.

TABLE 5—ROBUSTNESS CHECKS: TREATMENT EFFECT FOR TENANTS OF SMALL MULTI-FAMILY RESIDENCES

	Panel A. Treatment group: buildings built between 1960 and 1979		Panel B. Census tract fixed effects	
	In SF (1)	Same address (2)	In SF (3)	Same address (4)
Treat × period				
1994–1999	0.0326 (0.0105)	0.0289 (0.011)	0.0175 (0.0084)	0.0157 (0.0087)
2000–2004	0.0642 (0.0151)	0.0370 (0.0118)	0.0426 (0.012)	0.0284 (0.0092)
Post-2005	0.0531 (0.0145)	0.0164 (0.0084)	0.0364 (0.0114)	0.0113 (0.0066)
Control mean, 1994–1999	0.7641	0.541	0.7641	0.541
Control mean, 2000–2004	0.5138	0.1827	0.5138	0.1827
Control mean, post-2005	0.4346	0.1135	0.4346	0.1135
Adjusted $R^2$	0.584	0.609	0.588	0.609
Observations	135,594	135,594	1,243,242	1,243,242
	Panel C. Control group lives in buildings with 5–10 units		Panel D. Control group lives in buildings with 2–10 units	
Treat × period				
1994–1999	0.0319 (0.0096)	0.0162 (0.0094)	0.0256 (0.0063)	0.0201 (0.0064)
2000–2004	0.0424 (0.0132)	0.0291 (0.0099)	0.0452 (0.0089)	0.0340 (0.0067)
Post-2005	0.0400 (0.0124)	0.0167 (0.0071)	0.0387 (0.0084)	0.01575 (0.0048)
Control mean, 1994–1999	0.7356	0.541	0.7507	0.541
Control mean, 2000–2004	0.4935	0.178	0.5043	0.1805
Control mean, post-2005	0.4092	0.1064	0.4227	0.1101
Adjusted $R^2$	0.587	0.608	0.587	0.608
Observations	1,246,023	1,246,023	1,296,270	1,296,270

*Notes:* In panel A, we change our tenant sample to all tenants between 20 and 65 years old living in San Francisco as of December 31, 1993 and in multi-family residences with 2–4 units that were built during 1960–1990. Hence, we have restricted our treatment group to individuals who lived in buildings built between 1960 and 1979. In panel B, the sample of tenants is the same as in our baseline regressions. Instead of using zip-code-by-year fixed effects in our baseline regressions, we use census tract by year fixed effects. In panel C, we have changed our control group to individuals who lived in multi-family residences with 5–10 units that were built during 1980–1990. The treatment group is the same as in our baseline regressions. In panel D, we have changed our control group to individuals who lived in multi-family residences with 2–10 units that were built during 1980–1990. The treatment group is the same as in our baseline regressions. Table reports the mean of dependent variables for the control group during 1990–1994, 2000–2004, and post-2005. Standard errors are clustered at the person level.

As further robustness, we redefine the neighborhood more finely, using census tracts instead of zip codes. Panel B of Table 5 repeats the analysis using census tract by year fixed effects. The results are also statistically indistinguishable from our main results, although the point estimates are between 1 percent and 28 percent smaller across the six point estimates. Dropping the zip-code-by-year fixed effects also produces similar results.

As a final robustness check, we use an alternative control group of renters living in larger multi-family apartment buildings not subject to rent control. Specifically, we create a control group of renters living in buildings with between 5 and 10 apartment units built between 1980 and 1990. We exclude large multi-family buildings built prior to 1980 from the control group because they have been covered by rent



control since 1979. Using residents of these slightly larger buildings built in the 1980s should also act as a valid control group if the sorting of tenants to buildings within neighborhoods did not depend on the exact number of units in the buildings. Panel C of Table 5 reports the treatment effect using this alternative control group. The effects are statistically indistinguishable from our main effects. Panel D of Table 5 combines our control groups, creating a larger control group of renters living in buildings with two to ten apartments building in the 1980s. Unsurprisingly, these effects are also statistically indistinguishable from our main estimates, but the standard errors are smaller due to the increased sample size of our control group.

*Treatment Effect Heterogeneity.*—These estimated overall effects mask economically interesting heterogeneity. We begin by repeating our analysis separately within each racial group. Racial minorities may face discrimination in the housing market, indicating that rent control may be especially impactful on limiting their displacement. Figure 5 shows the treatment effects of remaining in one's 1993 address for whites, and then the differential effects for each racial group. Since our sample sizes within any given racial group are smaller, we will focus on the overall "post" impact of rent control, not separating out the short-, medium-, and long-term effects. Whites are 2.1 percentage points more likely to remain at their treated address due to rent control. For both blacks and Hispanics, we find larger treatment effects of 10.7 and 7.1 percentage point increases for these groups, respectively.<sup>14</sup> This suggests these minority groups disproportionately valued rent control. In contrast, the effect for Asians is statistically indistinguishable from the whites effect, with a point estimate of 0.9 percentage points.

We see further evidence that racial minorities disproportionately benefited from rent control when looking at the impact of the law on remaining in San Francisco. Rent control leads treated whites to be 2.8 percentage points more likely to remain in San Francisco, while blacks, Hispanics, and Asians are 10.7, 10.1, and 6.4 percentage points more likely to remain in San Francisco, respectively.<sup>15</sup> This suggests that rent control had a substantial impact on limiting displacement of minorities from the city, an additional sign that rent control strongly benefits the initial cohort of renters who are covered by the law.

We next examine treatment effect heterogeneity across neighborhoods, duration of tenancy, and age.<sup>16</sup> The goal of this exercise is two-fold. First we want to examine whether tenants who have lived in their neighborhoods for a long time disproportionately value rent control, as would be expected if these long-term tenants had built up a stock of neighborhood-specific capital. Second, we want to examine whether the value of rent control varies across tenant age. It is well known that younger individuals move more often. If young people need to move often for personal reasons, it

<sup>14</sup> Since our sample of blacks is quite small, the differential effects for blacks are not statistically indistinguishable from whites.

<sup>15</sup> As a robustness check, we repeat this analysis on the entire sample, including the renters whose probabilities for their most likely imputed race were below 80 percent. These results are in online Appendix Figure A1. The result are statistically indistinguishable from our main results, but the differences in the point estimates across races are smaller. This is consistent with the fact we have much more measurement error in the imputed races for these additional renters.

<sup>16</sup> We do not cut on race here as well, as the samples would become too thin.

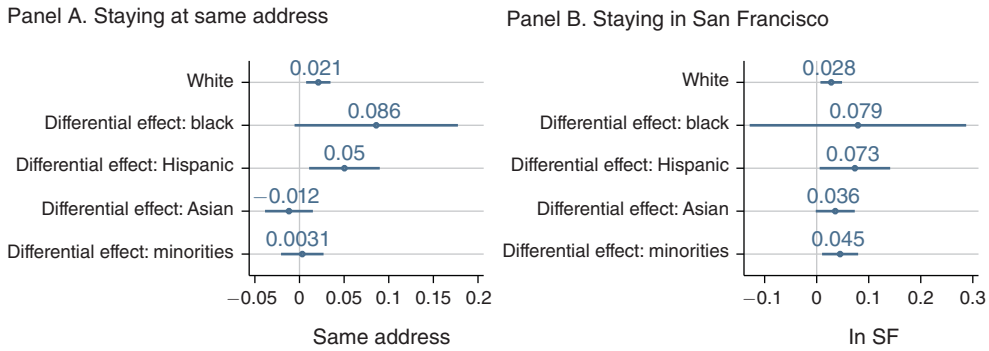


FIGURE 5. HETEROGENEITY BY TENANT'S RACE IN TREATMENT EFFECT FOR TENANTS

*Notes:* Sample consists of all tenants with a classified race/ethnicity between 20 and 65 years old living in San Francisco as of December 31, 1993 and in multi-family residences with 2–4 units that were built during 1900–1990. For white tenants, we report the average treatment effect in the post-1994 period along with 90 percent CI. For the other ethnic categories, we report the differential treatment effect in the post-1994 period between white and each ethnic category along with 90 percent CI. Minorities consist of all ethnic groups other than white. Standard errors are clustered at the person level.

will be hard for them to benefit from rent control since they cannot stay in one place long enough to access the insurance value of rent control.

To examine these effects, we cut the data by age, sorting individuals into two groups, a young group who were aged 20–39 in 1993 and an old group who were aged 40–65 in 1993. We also sort the data based on the number of years the individual has been living at their 1993 address. We create a “short-tenure” group of individuals who had been living at their address for less than four years and a “long-tenure” group of individuals who had been living at their address for between 4 and 14 years. Finally, we cut the sample of zip codes based on whether their housing price appreciation from 1990 to 2000 was above or below the median, as measured by the housing transactions observed in DataQuick. Ideally, we would measure market rental price appreciation across neighborhoods, but no data source for this exists. While rents and house prices need not be perfectly correlated, house prices and market rents tend to move together. We form eight subsamples by taking the  $2 \times 2 \times 2$  cross across each of these three dimensions and re-estimate our effects for each subsample.

The results are reported in Table 6 and plotted in online Appendix Figures A2 and A3. We summarize the key implications. First, we find that the effects are weaker for younger individuals. We believe this is intuitive. Younger households are more likely to face larger idiosyncratic shocks to their neighborhood and housing preferences (such as changes in family structure and employment opportunities), which makes staying in their current location particularly costly, relative to the types of shocks older households receive. Thus, younger households may feel more inclined to give up the benefits afforded by rent control to secure housing more appropriate for their circumstances.

Moreover, among older individuals, there is a large gap between the estimated effects based on tenure duration. Older, long-tenure households have a strong, positive response to rent control. That is, they are more likely to remain at their 1993

TABLE 6—HETEROGENEITY BY AGE, TENURE, AND NEIGHBORHOOD HOUSE PRICE APPRECIATION IN TREATMENT EFFECT OF STAYING AT SAME ADDRESS

	Older tenants		Younger tenants	
	(1)	(2)	(3)	(4)
<i>Panel A. Above-median house price appreciation zip codes</i>				
Treat × post	0.062 (0.019)	-0.107 (0.042)	0.018 (0.012)	-0.003 (0.032)
Tenant tenure duration	Long	Short	Long	Short
<i>Panel B. Below-median house price appreciation zip codes</i>				
Treat × post	0.041 (0.015)	0.010 (0.033)	0.007 (0.009)	0.039 (0.018)
Tenant tenure duration	Long	Short	Long	Short

Notes: Sample consists of all tenants between 20 and 65 years old living in San Francisco as of December 31, 1993 and in multi-family residences with 2–4 units that were built during 1900–1990. We first divide individuals into two groups by whether their 1993 zip code experienced above- or below-median house price appreciation during 1990–2000. We further sort the sample by age group. The young group refers to residents who were aged 20–39 in 1993 and the old group are residents who were aged 40–65 in 1993. Finally, we cut the data by number of years the individual has been living at their 1993 address. We define a *long-tenure* group of individuals who had been living at their 1993 address for greater than or equal to four years and a *short-tenure* group of individuals who had been living at their address for less than four years. The coefficients represent average treatment effects in the post-1994 period. Standard errors are clustered at the person level. See online Appendix Figures A2 and A3 that plot the full dynamics of these treatment effects.

address relative to the control group. In contrast, older, short-tenure individuals are estimated to have a weaker response to rent control. They are less likely to remain at their 1993 address relative to the control group.

To further explore the mechanism behind this result, we now investigate these effects based on the 1990–2000 price appreciation of their 1993 zip codes. Among older, long-tenure individuals, we find that the effects are always positive and strongest in those areas which experienced the most price appreciation between 1990 and 2000, as one might expect. For older, short-tenure households, however, the results are quite different. For this subgroup, the effects are actually *negative* in the areas which experienced the *highest* price appreciation. They are positive in the areas which experienced below-median price appreciation.<sup>17</sup>

This result suggests that landlords actively try to remove tenants in those areas where rent control affords the most benefits, i.e., high price appreciation areas. There are a few ways a landlord could accomplish this. First, landlords could try to legally evict their tenants by, for example, moving into the properties themselves, known as owner move-in eviction. Alternatively, landlords could evict tenants according to the provisions of the Ellis Act, which allows evictions when an owner wants to remove units from the rental market: for instance, in order to convert the units into condos or a tenancy in common.<sup>18</sup> Finally, landlords are legally allowed to negotiate with tenants over a monetary transfer convincing them to leave. In this way, tenants may “bring their rent control with them” in the form of a lump sum tenant buyout. Of

<sup>17</sup> A similar pattern holds for younger individuals as well, although the results are weaker.

<sup>18</sup> Asquith (2018) studies the use of Ellis Act evictions in the 2000s by landlords of rent-controlled properties in San Francisco.



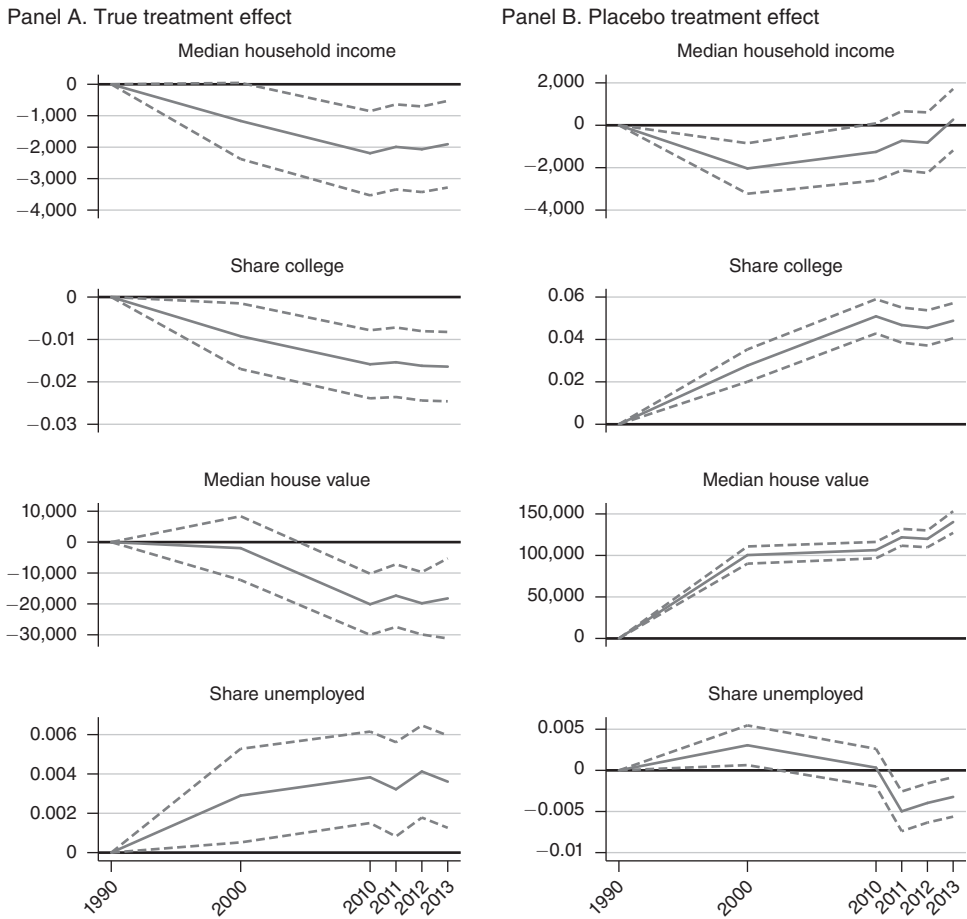


FIGURE 6. TREATMENT EFFECT ON NEIGHBORHOOD QUALITY FOR TENANTS OF MULTI-FAMILY RESIDENCE (2–4 UNITS)

*Notes:* Sample consists of all tenants between 20 and 65 years old living in San Francisco as of December 31, 1993 and in multi-family residences with 2–4 units that were built during 1900–1990. Median household income, share of residents with college education and above, median house value, and share of unemployed are measured in the census tract that an individual is living in a given year. The data sources are decennial censuses in 1990 and 2000, as well as 5-year pooled ACS for 2010 to 2013. Panel A plots the true treatment effects for various proxies of neighborhood quality. Panel B plots the placebo treatment effects where we assume those treated by rent control remain at their 1993 addresses, but allow the control group to migrate as seen in the data. The treatment effects along with 90 percent CI are plotted. Standard errors are clustered at the person level.

course, if landlords predominantly use evictions, tenants are not compensated for their loss of rent protection, weakening the insurance value of rent control.

*Effects on Neighborhood Quality.*—The results from the previous subsection help to rationalize some additional, final findings. In panel A of Figure 6, we examine the impact that rent control has on the types of neighborhoods in which tenants live. We find that those who received rent control ultimately live in census tracts with lower house prices, lower median incomes, lower college shares, and higher unemployment rates than the control group. As panel B shows, this is not a function of the areas in which treated individuals lived in 1993. In this figure, we fix

the location of those treated by rent control at their 1993 locations, but allow the control group to migrate as seen in the data. If rent-controlled renters were equally likely to remain in their 1993 apartments across all locations in San Francisco, we would see the sign of the treatment effects on each neighborhood characteristic to be the same as in the previous regression. Instead, we find strong evidence that the out-migration of rent-controlled tenants came from very selected neighborhoods. Had treated individuals remained in their 1993 addresses, they would have lived in census tracts which had significantly higher college shares, higher house prices, lower unemployment rates, and similar levels of household median income relative to the control group.

This evidence is consistent with the idea that landlords undertake efforts to remove their tenants or convince them to leave in improving, gentrifying areas. In addition, the rent control tenants are more likely to remain at their address within the less gentrifying areas, as we saw in the previous analysis in Table 6. These combined effects lead tenants treated by rent control to live in lower quality areas. Further, it highlights that rent control does not appear to be an effective means of providing tenants access to neighborhoods with better amenities. The better locales are where landlords have the most to gain from removing rent-controlled tenants and these landlords apparently work hard to make this happen. Having said that, our prior results did show that rent control helped tenants remain in San Francisco overall. Thus, while they are unable to live in the nicest parts of the city, it is possible that by being able to remain in San Francisco, they are able to enjoy lower commute times or work at better jobs than they otherwise would have had they been displaced. These types of amenities cannot be observed in our data.

### B. *Parcel and Landlord Effects*

The results above strongly suggest that while tenants value and take advantage of the protections offered by rent control, landlords actively take steps to reduce the burdens of the law, especially in those areas in which it would be most profitable to do. Motivated by these findings, in this section, we continue our analysis by studying and quantifying the landlord response more directly. To do so, we examine the impact of rent control on the properties themselves. In particular, we study how rent control affects the type of residents who live in the buildings, as well as how it impacts the investments that landlords choose to make in the properties. This analysis will enable us to understand the effects of rent control on long-term rental housing supply. Such changes in housing supply will ultimately impact equilibrium market rents and thus housing affordability for future renters.

Summary statistics for our key outcomes are in panel B of Table 1. This table shows that treatment and control properties are balanced in the pre-period in terms of total residents and number of renter residents. We see 1.2 percentage points more owners in the control group and 1.6 percentage points more construction/renovation permits. These small differences reflect that fact that the control buildings are slightly newer.

We run a specification similar to (1):

$$(2) \quad Y_{kzt} = \delta_{zt} + \lambda_k + \beta_t T_k + \epsilon_{kt},$$

where  $k$  now denotes the individual parcel and  $\lambda_k$  represent parcel fixed effects. The variable  $T_k$  denotes treatment, equal to one if, on December 31, 1993, the parcel is a multi-family building with less than or equal to four units built between the years 1900 and 1979. The  $\delta_{zt}$  variables once again reflect zip-code-by-year fixed effects. Our outcome variables  $Y_{kzt}$  now include the number of renters and owners living in the building, the number of renovation permits associated with the building, and whether the building is ever converted to a condo or TIC. The permits we look at specifically are addition/alteration permits, taken out when major work is done to a property.

We begin by plotting in panel A of Figure 7 the effects of rent control on the number of individuals living at a given parcel, calculated as a percentage of the average number of individuals living at that parcel between the years 1990–1994. We estimate a decline of approximately 6.4 percent over the long run, although this effect is not statistically significant.

We next decompose this effect into the impact on the number of renters and the number of owners living at the treated buildings. As shown in panel B, we find that there is a significant decline in the number of renters living at a parcel, equal to 14.5 percent in the late 2000s, relative to the 1990–1994 level. Panel C shows that the decline in renters was counterbalanced by an increase of 8.1 percent in the number of owners in the late 2000s. This is our first evidence suggestive of the idea that landlords redeveloped or converted their properties so as to exempt them from the new rent control regulations.

We now look more closely at the decline in renters. In panel A of Figure 8, we see that there is an eventual decline of 24.6 percent in the number of renters living in rent-controlled apartments, relative to the 1990–1994 average.<sup>19</sup> This decline is significantly larger than the overall decline in renters. This is because a number of buildings which were subject to rent control status in 1994 were redeveloped in such way so as to no longer be subject to it. These redevelopment activities include tearing down the existing structure and putting up new single family, condominium, or multi-family housing or simply converting the existing structure to condos. These redeveloped buildings replaced 7.2 percent of the initial rental housing stock treated by rent control, as shown in panel B of Figure 8.

To further investigate this mechanism, we check directly whether a multi-family property which fell under the rent control regulations in 1994 is more likely to have converted to condominium housing or a tenancy in common, relative to a multi-family property which did become subject to rent control. In panel C of Figure 8, we show that treated buildings are 8 percentage points likely to convert to condo or TIC in response to the rent control law. This represents a significant loss in the supply of rent-controlled housing.

As a final test of whether landlords actively respond to the imposition of rent control, we examine whether the landlords of rent-controlled properties disproportionately take out addition/alteration (i.e., renovation) permits. We find this to strongly be the case, with treated buildings receiving 4.6 percent more addition/alteration permits per unit as shown in panel D of Figure 8. Of course, conversions

<sup>19</sup>Note here that we mean relative to the number of individuals who lived at parcels which received rent control status due to the 1994 law change.

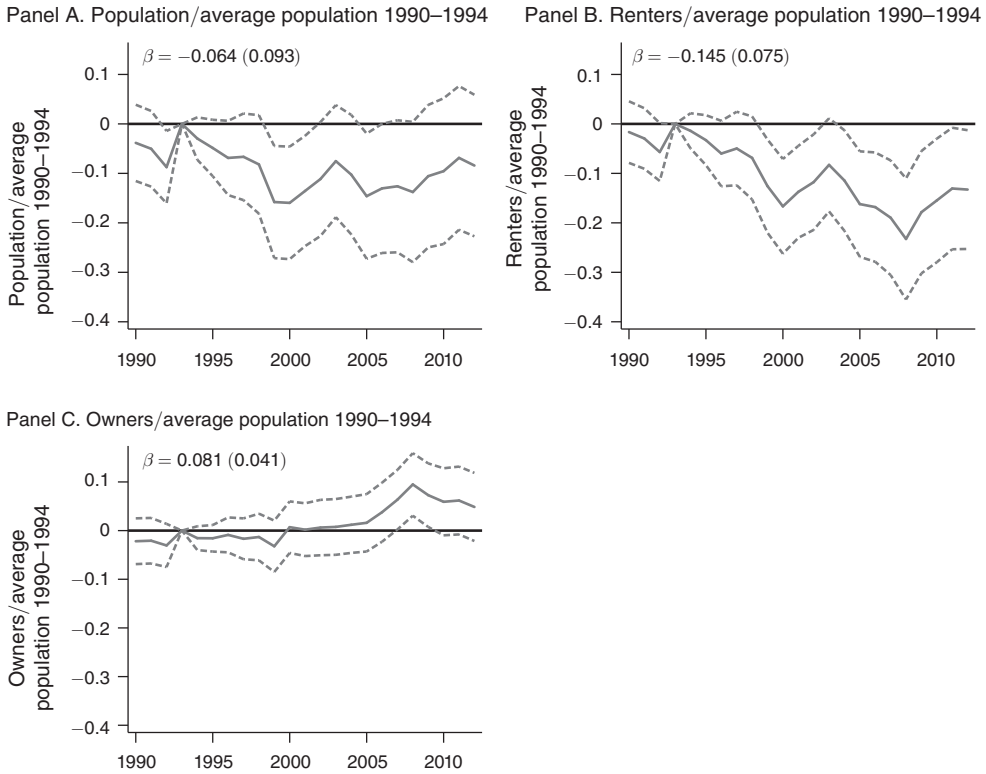


FIGURE 7. TREATMENT EFFECT FOR MULTI-FAMILY RESIDENCE (2–4 UNITS)

*Notes:* Sample consists of all multi-family residences with 2–4 units in San Francisco that were built during 1900–1990. The treatment effects along with 90 percent CI are plotted. Standard errors are clustered at the parcel level. The average treatment effects in the post-2006 period and their standard errors are reported in the upper-left corner.

of multi-family housing to condos undoubtedly require significant alteration to the structural properties of the building and thus would require such a permit to be taken out. These results are thus consistent with our results regarding condo conversion.

*Treatment Effect Heterogeneity.*—We now explore the heterogeneity in these effects between high and low house price appreciation zip codes. This analysis is motivated by our previous tenant regressions in which we found that landlords of rent-controlled buildings appear to have actively removed tenants in high appreciation zip codes. Here, we investigate whether landlords of rent-controlled apartments also disproportionately converted to condo or redeveloped buildings in high appreciation areas. Table 7 reports the average treatment effects within high and low appreciation zip codes. We find a 21 percent decline in the renter population and a 12 percent increase in the owner population within the high appreciation zip codes, versus a 11 percent renter decline and 6 percent owner increase in low appreciation areas. Further, we find condo conversions increase by 10 percent in high appreciation zip codes versus 5.8 percent in low appreciation areas. The conversion to owner-occupied housing may be especially lucrative in these high appreciation zip

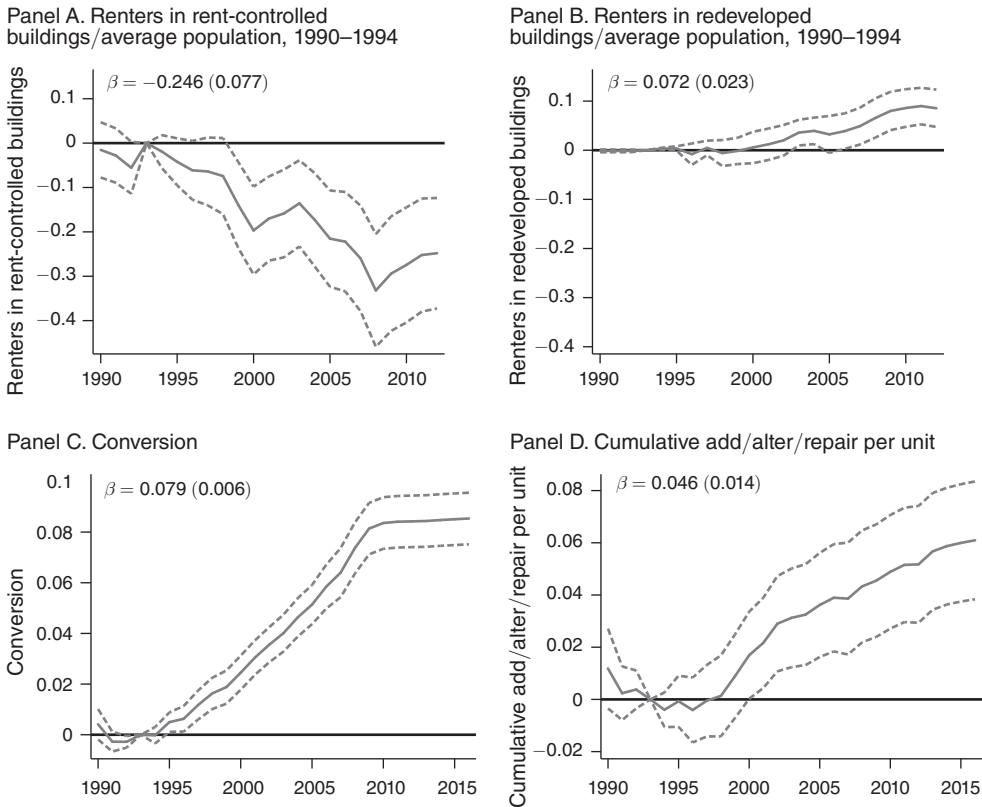


FIGURE 8. TREATMENT EFFECT FOR MULTI-FAMILY RESIDENCE (2–4 UNITS)

*Notes:* Sample consists of all multi-family residences with 2–4 units in San Francisco that were built during 1900–1990. The treatment effects along with 90 percent CI are plotted. Standard errors are clustered at the parcel level. The average treatment effects in the post-2006 period and their standard errors are reported in the upper-left corner.

codes as they likely have higher income residents. In contrast, we find a larger effect (9.3 percent versus 3.2 percent) of properties being knocked down and rebuilt in low appreciation areas than high priced areas. This effect is possibly driven by land use regulations making it very hard to build new construction in high-end areas of San Francisco.<sup>20</sup> Overall, these effects reaffirm that the landlords remove rental housing stock in those areas where it is most profitable to do so.

*Gentrification Effects.*—The previous section shows that rent control incentivized landlords to substitute away from an older rental housing stock toward new construction rentals and owner-occupied condos. Combining our estimates of rent control’s effect on the number of owner occupants (8.1 percent) and renters living in rent control exempt housing (7.2 percent) suggests that 15.3 percent of the treated properties engaged in renovations to evade rent control. Since these types of

<sup>20</sup>Most new construction in San Francisco has occurred in neighborhoods that historically were dominated by industry and warehouses.

TABLE 7—TREATMENT EFFECT HETEROGENEITY FOR MULTI-FAMILY PARCELS  
BY HOUSE PRICE APPRECIATION

	High appreciation (1)	Low appreciation (2)
Population/average population 1990–1994	–0.092 (0.176)	–0.050 (0.108)
Renters/average population 1990–1994	–0.207 (0.144)	–0.112 (0.085)
Renters in rent-controlled buildings/average population 1990–1994	–0.284 (0.148)	–0.225 (0.088)
Renters in redeveloped buildings/average population 1990–1994	0.032 (0.058)	0.093 (0.016)
Owners/average population 1990–1994	0.116 (0.066)	0.063 (0.052)
Conversion	0.100 (0.011)	0.058 (0.006)
Cumulative Add/alter/repair per unit	0.016 (0.03)	0.061 (0.015)

*Notes:* Sample consists of all multi-family residences with 2–4 units in San Francisco that were built during 1900–1990. We divide tenants into two groups by whether their 1993 zip code experienced above- or below-median house price appreciation during 1990–2000. Columns 1 and 2 report the average treatment effects for various parcel level outcomes in the post-2006 period for residences in the high and low appreciation areas, respectively. Standard errors in parentheses are clustered at the parcel level.

renovations create housing that likely caters to high income tastes, rent control may have fueled the gentrification of San Francisco. To assess this, we compare the 2015 residents living in properties treated by rent control to those living in the control buildings in 2015. While we do not have data directly on the income levels of the 2015 residents of these properties, we can use the historical neighborhood choices of these tenants as a proxy for their income. Intuitively, if residents of treated buildings used to live in high-end neighborhoods, while residents of control buildings used to live in low-end neighborhoods, we can infer that the residents of treated buildings are likely to be higher income. Specifically, we take all residents in the treatment and control buildings as of 2015. We then look at their addresses as of 2010, five years prior. We geocode these 2010 addresses to census block groups and measure the block group per capita income of their 2010 address, from the ACS.

We find that properties treated by rent control have tenants who came from neighborhoods with \$1,292 higher per capita incomes (standard error of 522), representing a 2.8 percent increase, relative to residents of control group buildings located in the same zip code.<sup>21</sup> This 2.8 percent increase represents the average income increase across *all* properties treated by rent control. Since only 15.3 percent of these properties upgraded their housing stock, we would expect these high income residents to only be drawn into this 15.3 percent. Indeed, the other 85 percent of the treated housing stock that did not renovate may have lower income residents due to the direct effect of rent control on tenant mobility. To construct a lower bound estimate of the effect of rent control on gentrification, we will assume that residents of

<sup>21</sup> The full regression details are reported in online Appendix Table A3.

the non-renovated housing stock have incomes similar to that of the control group. Under this assumption, our estimate of a 2.8 percent increase in residents' incomes suggests that the renovated buildings attracted residents with *at least* 18 percent ( $2.8/0.153$ ) higher incomes than residents of control group buildings in the same zip code. In this way, rent control appears to have brought higher income residents into San Francisco, fueling gentrification.

### C. Impacts on Inequality

Taking our results all together, it appears rent control has substantively different impacts on income inequality in the short versus long run. In the short run, rent control prevents displacement of the initial 1994 tenants from San Francisco, especially among racial minorities. To the extent that these 1994 tenants are of lower income than those moving into San Francisco over the following years, rent control increases income inequality. However, this short-term effect decays over time. Eight years after the law change, 4.5 percent of the tenants treated by rent control were able to remain in San Francisco because of rent control. However, five years later, this effect had decayed to 3.7 percent, and will likely continue to decline in the future.

In the long run, on the other hand, landlords are able to respond to the rent control policy change by substituting toward types of housing exempt from rent control price caps, upgrading the housing stock, and lowering the supply of rent-controlled housing. Indeed, the prior section showed that as of 2015, the average property treated by rent control has *higher income* residents than similar market rate properties. The long-term landlord response thus offsets rent control's initial effect of keeping lower income tenants in the city by replacing them with residents of above-average income. In this way, rent control works to increase income inequality in both the short run and in the long run, but through different means. Rent control's short-term effects increases the left tail of the income distribution, while the long-term effects increase the right tail.

In addition to widening income inequality, rent control has unequal effects on tenants living in San Francisco at the time of the law change and future tenants of the city. Incumbent tenants already living in San Francisco who get access to rent control as part of the law change are clearly made better off as indicated by their preference to remain in their rent-controlled apartment. However, this comes at the expense of future renters in San Francisco, who must bear higher rents due to the endogenous reductions in rental supply. In this way, the law served as a transfer from future renters in the city to renters in 1994, creating economic well-being inequality between incumbent and future renters of San Francisco. Our companion paper (Diamond, McQuade, and Qian 2018) performs a fully quantitative analysis of these welfare gains and losses through the lens of a dynamic discrete choice model of tenant migration and performs general equilibrium counterfactual analyses.

Since incumbent renters are made better off, it is not surprising that popular votes to expand rent control often pass in cities with high renter populations. The beneficiaries are the ones who are able to vote, while future renters who pay the costs of rent control do not get a say in these elections. Local popular votes thus appear to be an inefficient way to set rent control policies.



#### IV. Conclusion

In this paper, we have studied the impact of rent control on its tenant beneficiaries as well as the landlord response. To answer this question, we exploit a unique rent control expansion in San Francisco in 1994 that suddenly provided rent control protections for small multi-family housing built prior to 1980. By combining new panel microdata on individual migration decisions with detailed assessor data on individual parcels in San Francisco, we get quasi-experimental variation in the assignment of rent control at both the individual tenant level and at the parcel level.

We find that, on average, in the medium to long term the beneficiaries of rent control are between 10 and 20 percent more likely to remain at their 1994 address relative to the control group and, moreover, are more likely to remain in San Francisco. Further, we find the effects of rent control on tenants are stronger for racial minorities, suggesting rent control helped prevent minority displacement from San Francisco. All our estimated effects are significantly stronger among older households and among households that have already spent a number of years at their current address. On the other hand, individuals in areas with quickly rising house prices and with few years at their 1994 address are less likely to remain at their current address, consistent with the idea that landlords try to remove tenants when the reward is high, through either eviction or negotiated payments.

We find that landlords actively respond to the imposition of rent control by converting their properties to condos and TICs or by redeveloping the building in such a way as to exempt it from the regulations. In sum, we find that impacted landlords reduced the supply of available rental housing by 15 percent. Further, we find that there was a 25 percent decline in the number of renters living in units protected by rent control, as many buildings were converted to new construction or condos that are exempt from rent control.

This reduction in rental supply likely increased rents in the long run, leading to a transfer between future San Francisco renters and renters living in San Francisco in 1994. In addition, the conversion of existing rental properties to higher-end, owner-occupied condominium housing ultimately led to a housing stock increasingly directed toward higher income individuals. In this way, rent control contributed to the gentrification of San Francisco, contrary to the stated policy goal. Rent control appears to have increased income inequality in the city by both limiting displacement of minorities and attracting higher income residents.

These results highlight that forcing landlords to provide insurance against rent increases can ultimately be counterproductive. If society desires to provide social insurance against rent increases, it may be less distortionary to offer this subsidy in the form of government subsidies or tax credits. This would remove landlords' incentives to decrease the housing supply and could provide households with the insurance they desire. A point of future research would be to design an optimal social insurance program to insure renters against large rent increases.



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Monterey County Association of Realtors®  
5 Harris Court, Building A  
Monterey CA, 93940

October 24, 2023

Mayor Kimbley Craig  
Councilmember Tony Barrera  
Councilmember Carla Viviana González  
Councilmember Steve McShane  
Councilmember Orlando Osornio  
Councilmember Anthony Rocha  
Councilmember Andrew Sandoval

Re. Agenda item 23-648: Rent Stabilization and Tenant Protection

Honorable Mayor and City Councilmembers,

Now is the time to seek collaborative, innovative, and pro-housing solutions to our housing availability and affordability crisis. This is especially true for rental housing; renters are in need to help and we agree steps must be taken to do so. However, policies that divide our community, punish housing providers, and disincentivize growth in housing will achieve the opposite.

**Consistent with other recent changes to City housing policies, we request that these policy proposals:**

- 1. Be referred to the Technical Advisory Committee on housing for expert input including tenants right advocates, and..**
- 2. That no fewer than six (6, one in each district) public meetings , hearings, or workshops be held to gather community input.**

Enhance tenant protections were recently signed into law by Governor Gavin Newsom, and go into effect in January. Changes to how State and local government administer rental pricing regulations are expected to be on the November 2024 ballot. **In light of these upcoming or**



**anticipated changes to State policy, it does not make sense to pursue local policies which may turn out to be redundant, contradictory to, or otherwise in conflict with State law.**

Additionally, the City's rental registry program is incomplete. Earlier this year members of the council supporting the registry expressed a desire to see data from the registry in order to better inform further policy decisions. The registry has just barely been implemented, there has been minimal communication from the City to property owners about this requirement. We were promised an online portal where property owners and managers could log in and manage and update the registration of their units. Instead what we have is a Google Form, which is free to create, and cannot be updated. This begs the question, what was the \$400,000 budget for the rental registry spent on, and what are the fees charged to landlords and tenants being used for? Given these facts and unanswered questions, **it is not reasonable to build further punitive policies based on incomplete data from a program that was not implemented as promised.**

The renters of Salinas cannot afford to be the subjects of policy experiments, especially when past policy experiments of this nature have proven harmful to renters. We cite the following, peer reviewed studies as evidence (attached for the Council's convenience and for the public record).

Research by Konstantin A. Kholodilin & Sebastian Kohl, published in the International Journal of Housing Policy (Feb., 2023), studies data from numerous regions and found the following:

The (re-)introduction of tenancy regulation in the form of rent controls, tenant protection or supply rationing is back on the agenda of policymakers in light of rent inflation in many global cities. While rent controls promise short-term relief, economists point to their negative long-run effects on new construction. This study presents new long-run data on both rent regulation and housing construction for 16 developed countries (1910–2016) and finds that **more restrictive rental market legislation generally has a negative impact on both new housing construction and residential investment.**

Furthermore, research by Rebecca Diamond, Tim McQuade, and Franklin Qian, published in the American Economic Review (Sep., 2019) examines the effects of rent control in San Francisco. Abstract:

Using a 1994 law change, we exploit quasi-experimental variation in the assignment of rent control in San Francisco to study its impacts on tenants and landlords. Leveraging new data tracking individuals' migration, we find rent control limits renters' mobility by 20 percent and lowers displacement from San Francisco. **Landlords treated by rent control reduce rental housing supplies by 15 percent by selling to owner-occupants and redeveloping buildings. Thus, 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.**

**We request that the Council take the time to consider this evidence, gather expert testimony through the TAC, and seek public feedback through meetings accessible to all community members.** This will ensure policies are created with due diligence and as much relevant data as possible. Furthermore this will provide time for the rental registry to collect a more complete dataset, and for everyone to better understand how new State laws will affect rental housing.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Pinterits", written over a horizontal line.

Adam Pinterits

Government & Community Affairs Director  
Monterey County Association of Realtors®



## Do rent controls and other tenancy regulations affect new construction? Some answers from long-run historical evidence

Konstantin A. Kholodilin & Sebastian Kohl

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# Do rent controls and other tenancy regulations affect new construction? Some answers from long-run historical evidence

Konstantin A. Kholodilin<sup>a,b</sup> and Sebastian Kohl<sup>c,d</sup> 

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## ABSTRACT

The (re-)introduction of tenancy regulation in the form of rent controls, tenant protection or supply rationing is back on the agenda of policymakers in light of rent inflation in many global cities. While rent controls promise short-term relief, economists point to their negative long-run effects on new construction. This study presents new long-run data on both rent regulation and housing construction for 16 developed countries (1910–2016) and finds that more restrictive rental market legislation generally has a negative impact on both new housing construction and residential investment. This is especially true for strict rent controls and housing rationing measures in the post-1960 period. Tenancy security can on average also dampen construction activity. The negative effect is overall less significant and strong in magnitude than expected and may have been offset by exemptions for new construction, by compensating social housing construction and by a flight of new construction into the owner-occupied sector. Still, on average, rent controls came at the cost of less construction activity.

**KEYWORDS:** Residential construction; rent control; tenure security; housing rationing; panel data model

**JEL CODES:** C23; O18; R38

## Introduction

Long thought to be a relic of the past, rent controls and other measures protecting urban tenants are back on the political agenda in a wide range of countries. Even if the move towards homeownership has made owner-occupying households the majority almost worldwide, many of larger cities possess significant tenant populations. They still make up an

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important constituency which advocates for rent regulation as a form of social policy.

Particularly in 2019, several countries and states have introduced new or reinforced measures to cap rent price increases. For example, in February 2019, the authorities of the state of Oregon (USA) imposed upper bounds on rent increases on the consumer price index (CPI) growth rate above 7%.<sup>1</sup> In June 2019, in New York, several measures to enhance rental regulations were introduced, including the removal of the vacancy decontrol, which was previously possible, if rent prices for a dwelling or the income of tenant renting exceeded certain thresholds.<sup>2</sup> In February 2020, a so-called *Mietendeckel* (literally meaning 'rental lid') was introduced in Berlin (Germany) leading to a rent freeze for the following five years and even providing the possibility to cut rents in the case they were found to be too high.<sup>3</sup> However, on 25 March 2021, the rent freeze was abolished by the German constitutional court. During the September 2021 Bundestag elections, the issue of extending the rent freeze to the whole of Germany was debated. Similarly, a law was enacted in Catalonia (Spain) in September 2020 capping initial rents at a local reference rent (plus 10%) for non-luxury units in tense housing market areas. Simultaneously rent increases were pegged to the index of competitiveness recovery of Spain with respect to the European Monetary Union.<sup>4</sup> The Covid-19 pandemic provided an additional impetus for rent regulations. Thus, almost 50 countries introduced eviction bans, while over 20 countries enacted rent freezes, including rent reductions and moratoria of rents during the emergency period.<sup>5</sup> Yet, despite this surge of regulations in private *rental* markets, housing scholars still focus predominantly on social housing or homeownership as dominant segments in the housing market.

The renaissance of rent control even in the rigid forms of freezing rents introduced as first-generation controls during both World Wars is surprising, given the almost unanimous agreement among economists on the negative effects of tenancy regulation in general and rent controls in particular on the allocation and supply of housing, as several surveys conducted among economists between 1979 and 2009 show (Kearl et al., 1979; Alston et al., 1992; Jenkins, 2009). Among the negative effects attributed to these market regulations the allegedly negative effect on new construction is probably the most prominent one. Richard Arnott also observed the 'widespread agreement that rent control discourages new production' (Arnott, 1995, p. 99). Restrictive housing market regulation such as protections from rent increases or evictions are thus made responsible for lowering construction activities and increasing housing shortages. They are seen as measures which reduce the incentives for investing in new residential construction, especially of rental housing, since governmental restrictions limit rental revenues and the freedom to dispose freely of one's real estate property. Today's climate of urban housing shortages in most booming European cities has led many economists to regard the removal of rent

regulations as stimulus for new housing supply (Diamond, 2018), even though the existing literature shows relatively mixed results.

This study investigates the relationship between restrictive governmental housing regulations—not just rent controls but also protection from eviction and housing rationing measures—and residential construction for the first time with international historical long-run data. It draws on two novel data collections ranging between 1910 and 2016 for 16 developed countries: the first one contains rent regulation indices based on manual codings of all major tenancy-related laws in a country, and the second one contains data on building activity. The regulation data include measures for three types of restrictive housing policies: rent control, security of tenancy and rationing of housing units. Our dependent variables are annual time series of new residential construction (housing units, investment) and we control for economic (real GDP per capita, long-term interest rates and mortgage debt) and demographic factors (population growth, total dependency ratio and marriage rates) in panel-data models.

While our findings are broadly in line with economists' general expectations, i.e., in normal and post-war periods, rent controls, tenancy-security and rationing regulation have on average negative effects on new construction activity, the surprising finding is that the significance is not as persistent as economists would expect. Whereas the severe rationing measures are significant almost throughout, security of tenancy and rent price regulation are only significant under certain conditions: in their strict form of rent freezes and in the post-1960 period. Increasing the regulation by 1 on a scale from 0 to 1, i.e., shifting from zero to full control, decreases new construction by 0.06 per 1000 inhabitants, which is a sizeable magnitude when accumulated over several years, but also not a complete construction stopper.

We suggest that this rather surprising non-universality of a strong negative tenancy-regulation effect could be explained by the fact that new construction has often been exempted from rent control. Moreover, tenancy regulation may crowd out rental units in favour of owner-occupied ones which can enjoy ongoing construction despite rent control (Kholodilin & Kohl, 2021b; Fetter, 2016). While this article only focuses on new construction, the regulation effects on existing stock should also be kept in mind. Finally, strict rent control rarely comes without active social housing policies in favour of new construction which can compensate for the loss of private construction. The findings also highlight that tenancy regulation beyond rent controls, and the war-related housing rationing measures, in particular, can significantly impact new construction and that for rent control effects themselves, the historical and country context matters. In that, our findings on rent control appear to be similar to mixed findings on the effect of minimum wages on labour supply, i.e., the labour market equivalent of price controls (Doucouliagos & Stanley, 2009).

Existing research on private rental markets and rent control is rather scarce, uses mostly geographically limited data for snapshot moments or

the short run. Our main contribution is to expand on this understudied topic by extending the geographic and temporal scope of the analysis with the help of new international long-run data, which cover the historical time periods in which rent control was first introduced and most widespread. Against the backdrop of these long-run data, our findings confirm a long-held expectation about tenancy policies' negative effects on building activity, but also show that the effects are less consistent and smaller than expected. The implication of our findings is that strong rent controls or rationing measures, if not compensated by social housing construction, may have negative effects on housing construction and investment.

The study proceeds as follows. The next section reviews the literature on the effects of governmental regulations on residential construction. The following section describes the data used and explains the methodology applied in this study, while the third section discusses the results obtained. The last section points to potential interpretations of the main finding and concludes.

### **Determinants of residential construction**

Rental housing market regulations and most prominently rent controls are a phenomenon that has attracted quite some attention from economists. We identified 99 empirical studies published in peer-reviewed journals between 1967 and 2022 that overall cover 36 different countries, with one-third of the studies being devoted to North America and more than a half of studies concentrating on European countries, the remainder focussing on the Global South (Kholodilin, 2022). Together they investigate 19 different effects that rent controls can typically have, while many studies examine several impacts at a time. Most authors are interested in the effects of rent control on rents of controlled apartments (31 studies), residential mobility (19), new housing construction (12) and homeownership (11). Other studies are interested in effects on welfare, segregation, misallocation, vacancies, quality, homelessness, etc.

This literature generally finds that rent regulation in the form of price controls significantly lowers controlled rents (and returns) but increases uncontrolled rents (e.g., Attia, 2016; Baye & Dinger, 2022; Ahrens et al., 2019). At the same time, it tends to increase homeownership, as it crowds out rental housing units (Diamond et al., 2019; Asquith, 2019; Appelbaum et al., 1991; Fetter, 2016). Studies unanimously find that rent controls lower residential mobility, as tenants have a strong incentive to remain in controlled units (Gyourko & Linneman, 1989; Clark & Heskin, 1982; Bonneval et al., 2022; Karpestam, 2022; Gardner, 2022). The literature also agrees on the negative effects on housing quality, as landlords lose the means and incentive for proper maintenance (Gilderbloom & Ye, 2007; Breidenbach et al., 2022; Tan, 2021).

The number of studies investigating rent control effects on residential construction is already more limited and much more mixed in comparison to the articles studying other outcomes. We identified a total of 12 published studies. These studies mostly cover Canada, Scotland, Sweden and the United States. The estimation techniques are rather rudimentary, except for Sims (2007) who uses difference-in-differences regressions, although the authors are sometimes very inventive regarding their data sources. Most studies (seven out of 12) find a negative impact of rent control (Lind, 2003; Smith & Tomlinson, 1981; Smith, 1988) or a positive effect of deregulation (Bailey, 1999; Gibb, 1994) on new housing construction. Only Gilderbloom and Ye (2007) and Ambrosius et al. (2015), using more or less the same data and the same methodology as Gilderbloom and Markham (1996), find no impact of rent control on new residential construction. Moreover, in this particular case, rent controls are thought to be moderate. Goetz (1995) concludes that the multifamily-housing production in San Francisco has accelerated after the introduction of rent control. However, he does not control for other factors, except for dummy variables of rent control introduction, that could explain higher construction rates after rent control was adopted in 1979.

The best evidence comes from sub-national case studies. The most prominent recent quasi-experimental study of San Francisco estimated the effect of rent controls on new construction as high as a 15% reduction in new supply (Diamond et al., 2019). Also studying San Francisco, Asquith (2019) finds a reduction in rental housing supply, as landlords sell off apartments in the condo-market or simply hold back supply. A similar phenomenon—a conversion of rental into owner-occupied units—was found by Fetter (2016) for the US rent controls during and immediately after World War II (WWII). However, Sims (2007), using microdata from a housing survey conducted in Massachusetts in 1985–1998, finds little effect of rent control on new housing construction. Studying the same de-control moment, Autor et al. (2014) also find a very low effect of de-control on new residential investment. Mense et al. (2018), who investigate a recent strengthening of German rental policy—the rental brake (*Mietpreisbremse*)—establish that it fostered new construction in the controlled municipalities.

Overall, the existing literature on the construction and supply effects has predominantly focussed on the effects of rent price controls and not on other forms of tenancy regulation (such as supply restrictions or tenant protection). The existing macro-studies have been rather narrow in terms of geographic scope and regarding the length of time series data used. Almost all studies ignore the historical moments with highest rent regulation activity. We address these shortcomings below by increasing both geographic and time coverage and by including different dimensions of tenancy regulation.



## Data

In this section, we present the variables and operationalisation used in this study. For the sake of convenience, we split them into tenancy regulation indices, dependent construction variables and control variables. [Table 1](#) reports the sources of data in more detail and presents the descriptive statistics.

### *Regulation indices*

The main explanatory variable is the intensity of tenancy regulation which we approximate by drawing on the restrictive rental market regulations indices, as developed by Kholodilin (2020) and Weber (2017). They cover three types of regulations: rent control, tenure security and housing rationing. The rent control index measures the intensity of restrictions imposed on the level of rent and its rate of increase. This index is computed as a simple average of six binary indices reflecting the following policies: real rent freeze, nominal rent freeze, rent level control, inter-tenancy decontrol, other specific rent decontrol and specific rent re-control. Thus, the rent control index varies on a continuous scale between 0 and 1.

Moreover, economists distinguish between the first and the second generation of rent control (Arnott, 1995). The first generation implies a hard rent freeze, when rents are fixed at a given level, while under the softer second-generation rent control, the starting rent is generally set at market level, but its growth rate is tied to a measure of living or building costs. Here, we use regulation indices of the first- and second-generation rent control. In case of the first-generation rent control, there are both real and nominal rent freezes as well as rent level controls. By contrast, under the second-generation rent control, only real rent freezes are present. The Rent laws index, on the one hand, and first- and second-generation rent control indices, on the other hand, are constructed in a different way. Unlike the continuous Rent laws index, the generation indices of rent control are binary indices—being equal either to 0 or to 1—reflecting whether the state uses the first or second generation of rent control or not. Therefore, they contain related but not the same information.

The tenure security index, in turn, reflects the degree of protection of tenants from evictions by landlords. The main instruments of protection are eviction protection during a given lease term or period; eviction protection at the end of the term or period; imposition of a minimum duration of rental contracts; and a prohibition of short-term tenancies (of less than one year).

Finally, the housing rationing index measures the intensity of redistribution within the existing housing stock. It includes such policies as registration of housing; protection of housing (e.g., prohibitions to convert residential premises to other uses or to short-term rentals); requisition of vacant housing; restriction of freedom to move into areas with tight

**Table 1.** Description of variables used in the analysis.

Variable description	Source	Period	Minimum	Mean	Maximum	Standard deviation
Housing completions by 1000 inhabitants	Kohl (2021)	1900–2016	0.020	5.447	17.314	2.928
Share of residential construction in GDP, %	Macrohistory	1900–2017	0.039	4.806	12.081	2.079
Rent laws index, (0, 1)	RHMR	1900–2021	0	0.488	1	0.361
First-generation rent control index, (0, 1)	RHMR	1900–2021	0	0.493	1	0.500
Second-generation rent control index, (0, 1)	RHMR	1900–2021	0	0.128	1	0.334
Tenure security index, (0, 1)	RHMR	1900–2021	0	0.393	1	0.245
Housing rationing index, (0, 1)	RHMR	1900–2021	0	0.109	0.750	0.165
Rental market regulation index, (0, 1)	RHMR	1900–2021	0	0.440	0.917	0.255
Real GDP per capita, 1990 international dollars, 1000	Maddison	1900–2018	1.833	17.116	84.580	14.156
Real per-capita GDP growth rate	Own calculations	1901–2018	-0.878	0.020	0.506	0.056
Long-term interest rate, %	Macrohistory and OECD	1900–2018	-0.251	5.675	21.502	3.180
Total loans-to-GDP ratio, %	Macrohistory and own calculations	1900–2016	0.019	0.641	2.045	0.365
Population growth	Maddison and own calculations	1901–2018	-0.075	0.007	0.034	0.006
Housing return minus equity return (relative rate of return)	Macrohistory	1900–2015	-0.096	0.014	0.102	0.025
Government budget balance-to-GDP ratio	Macrohistory and own calculations	1900–2016	-0.752	-0.022	0.201	0.059
Ratio of dependent (younger than 15 and older than 64 y. o.) population to working-age (15 through 64 y. o.) population, [0,1]	World Development Indicators of the World Bank and European University Institute	1900–2016	0.425	0.544	0.993	0.067
Number of marriages per 1000 population	Mitchell (2013) and OECD Vital Statistics	1900–2016	2.113	7.058	17.959	1.838

Note: BIS = Bank for International Settlements ([https://www.bis.org/statistics/pp\\_detailed.htm](https://www.bis.org/statistics/pp_detailed.htm)); Federal Reserve Bank of Dallas (<https://www.dallasfed.org/institute/house-price#tab2>); Macrohistory = Jordà-Schularick-Taylor Macrohistory Database (<http://www.macrohistory.net/data/>); Maddison = Maddison Historical Statistics (<https://www.rug.nl/ggdc/historicaldevelopment/maddison/>); OECD = Organisation for Economic Cooperation and Development Housing prices data (<https://data.oecd.org/price/housing-prices.htm>); RHMR = Rental Housing Market Regulation database ([https://rpubs.com/Konstantin\\_Xo/RHMR](https://rpubs.com/Konstantin_Xo/RHMR)).

housing markets; conservation of social composition of the neighbourhoods in order to prevent gentrification; imposition of maximum housing consumption norms; and nationalisation of private housing stock.

All three indices range between 0 and 1: the higher the index the more intense the regulation. In addition, following Weber (2017), we computed a rental market regulation index (*RMRI*) as a simple average of the rent control index and tenure security index. Thus, it measures an overall security of tenants by simultaneously capturing the protection of tenants from rent increases and from eviction.

The indices are constructed based on a manual content coding of the corresponding legal acts (see [https://rpubs.com/Konstantin\\_Xo/RHMR](https://rpubs.com/Konstantin_Xo/RHMR) for details) and, to the best of our knowledge, represent the best available data source for comparative long-run measures of tenancy regulation. It is important to note that the indices do not measure how tight each regulation in place is, but whether regulations of different sorts are generally in place or not and how many of them are enacted. It is also important to keep in mind that this law-based approach cannot deal with different degrees of enforcement of laws. A final note of caution is that these laws are enacted on the national level and do not account for regional variations. In most cases, the national focus reflects the most important regulation level, with decentralisation of housing policies starting in the 1980s in many countries. The indices thus measure, for instance, that the US federal government does not implement any rent controls and that this differs from Germany, which allows municipalities to use regionally specific comparative-rent tables to enforce soft rent controls, but the index ignores differences between the enforcement in Berlin and Cologne.

While these are some obvious shortcomings of the indices, they are the only available long-run regulation data at hand. There are two additional arguments speaking in their favour. First, our indices correlate quite well with alternative ones, as shown in Kholodilin (2020). Second, there are already quite a few researchers, including those from the IMF and the OECD, who are using the indices for their research, where they have become a common data currency.<sup>6</sup>

### *Housing construction intensity*

Our dependent variable is housing construction intensity, which is defined as the number of completed dwellings per 1000 persons (cf. Kohl 2021). Surveying construction requires a certain governmental control of property rights and of the construction sector which is not given in many developing nations and therefore restricts the countries we can sensibly include in the study. Construction volume is available as permits, starts and completions and with the exception of a few countries such as the US, completions are reported throughout. The advantage of

housing starts (and permits) as measure is that they are the most sensitive measures to reveal macroeconomic impacts on initiated construction activity. Their obvious shortcoming is that not all housing starts end up in completions due to construction-loan problems, bad calculations or speculation. Completions, in turn, have the disadvantage that they lag behind starts by one or two years. However, they indicate what has been constructed and their coverage across countries is highest. For these reasons, we choose completions as our measure for new construction volume.

To control for demography right from the start, we divide completions by the current population, which yields a commonly used variable in the range of 2 to 15 completed units per 1000 inhabitants (cf. Kohl 2021). In cases of missing completion data due to countries not having surveyed them at all or only at certain points in time, we approximate completions through housing starts and permits. Our rule of approximation is the following: If available, we use the first lag of housing starts multiplied by the median ratio of housing completions and starts in our sample excluding the war and post-war years, namely 0.98. If starts are also not available, we use the first lag of permits again multiplied by the average ratio of housing completions and permits, namely 0.95. This is to make sure that the levels of completions are approximated, as the over-time trends are highly similar. For the available data, both lagged permits and lagged housing starts strongly correlate ( $r=0.98$ ).

To include new housing quality and investments in existing stock, we also rely on total residential construction investment per GDP as an alternative dependent variable, which comes with the advantage of being a monetary variable, but is therefore also subject to price effects.

### **Control variables**

The existing literature usually points to a list of control variables, mainly the common economic and demographic background variables, which need to be available for the very long-run for our purposes. On the economic side, we control for GDP per capita as higher income levels allow for more construction to take place. The business cycle is also known for its strong correlation with the building cycle (Leamer, 2007). With government activity being important for the building sector, we also include the governmental budget balance as a variable. Most new construction is not financed out of equity, which is why capital markets play a crucial role. We, therefore, include long-term interest rates that govern mortgage lending. Moreover, we include the growth of mortgages outstanding to GDP: in normal times, more mortgage supply should lead to new construction, but we also include its quadratic term, as too high levels of mortgage indebtedness has been found to just drive up prices and to not extend supply further (Kohl, 2021). New construction depends on the relative

attractiveness to build; we, therefore, include the relative rate of return computed as a difference between housing rental returns and stock market returns in the estimation. Finally, we would include homeownership rates, but their coverage reduces our sample to a post-1950 sample, giving away our long-run data advantage.<sup>7</sup>

On the demographic side, we control for population growth to account for rising demand. As a more refined measure, we also control for marriage rates per population because they indicate the formation of new households. Family formation requires the extension of living space, whereas older household cut back living space at higher ages. We therefore also include a dependency ratio by interpolating the age composition of the population surveyed at census points.<sup>8</sup>

### Econometric methodology

Methodologically, the availability of longitudinal data suggests the use of a panel data model. Given the strong persistence of construction intensity and in order to remove serial correlation and potential non-stationarity, we compute the dependent variable as the first difference of the log of construction intensity.

$$y_{it} = \beta' x_{i,t-1} + \gamma' z_{i,t-2} + \eta_i + \theta_t + v_{it} \quad (1)$$

where  $y_{it}$  is the first difference of the construction intensity or the percentage of residential construction in GDP in country  $i$  in the year  $t$ ;  $x_{it}$  is the vector of control variables;  $z_{it}$  is the vector of regulation indices;  $\eta_i$  is the country fixed effects;  $\theta_t$  is the time fixed effects;  $v_{it}$  is the random disturbance; and  $\beta$  is the vector of coefficients.

We transform the explanatory variables that Dickey-Fuller tests reveal to be non-stationary (population, mortgages and GDP per capita) into growth rates or first differences which also transforms some of these stock-variables into flows, more apt to explain the flow of new constructions. We use the second lag of the regulation indices in order to capture the fact that housing construction takes time to reach completion. The plot of land must be found, the architectural plans must be made, the building permit must be obtained and finally, the house must be built. All these procedures take time and on average two years can pass between the decision to build and the completion. In addition, factors such as bad weather and unavailability of subcontractors and workers during periods of busy construction activity can lengthen the process even more. For example, according to the US Census Bureau 2020 statistics, it takes on average about 7 to 16 months between the start and completion of single- and multi-family houses, respectively.<sup>9</sup> For the control variables we use their first lags. Given that we work with annual data, one lag should be sufficient. Wooldridge (2012, p. 658), for instance,

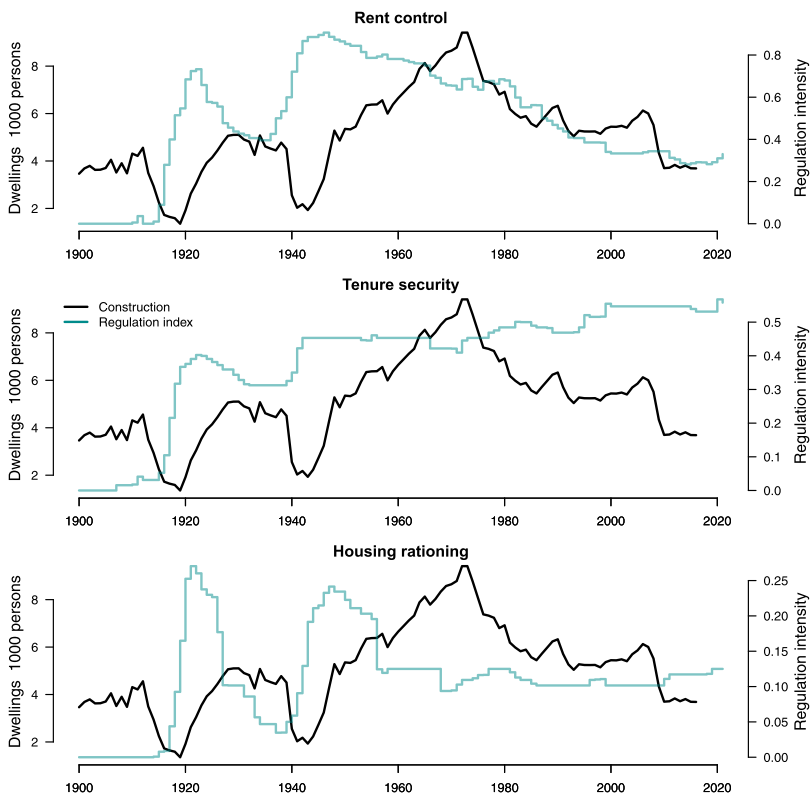
suggests to use at most two lags for annual time series. A larger number of lags would reduce the already modest degrees of freedom in our models.

## Results

We first describe how construction and tenancy regulation developed across time and different regions to then present the multivariate results.

### Descriptive findings

Figure 1 depicts the evolution of the three regulation indices between 1900 and 2021. All curves show a two-hump structure: regulation set in with WWI as consumer socialism for the home front of soldiers' families.



**Figure 1.** Residential construction intensity and rental housing market regulations. *Note:* Construction intensity is measured as the number of completed dwellings per 1000 persons. The indices of rent control, tenure security and housing rationing vary between 0 (no rent control) and 1 (very strict control). All indices are obtained by averaging from the country-specific indicators of 16 countries under investigation.

It was then reversed during the interwar years only to spike again during WWII. But whereas the rationing supply side restrictions were almost completely dismantled in the post-war development, tenancy security was on average maintained throughout all jurisdictions. Rent regulation itself reduced in intensity everywhere: the strong first-generation freezes of absolute rent levels softened into second-generation regulation of rent increases. While this is the broad common story across jurisdictions, there are notable differences between low-regulation Anglophone countries and continental European countries with a tradition of stronger tenancy regulation.

In addition, [Figure 1](#) shows the long-run construction cycle. With the exception of socialist countries, there is a rough counter-cyclical movement of construction and rent regulation over the 20<sup>th</sup> century: rent regulation surges in war times when construction is low and it fades out with the building cycle taking off. Towards the end of the reporting period, the negative correlation is less evident as building cycles can occur even at a constant rent level.

### *Multivariate estimations*

In what follows, we estimate four different models, depending on the combination of rental regulation indices and control variables included. We choose these models to uncover different combinations of the regulation indices (models 1–2), to distinguish soft from hard rent controls (3) and to uncover potential non-linear effects (4). We estimate these models for two dependent variables: completed housing units per population and residential investments per GDP.<sup>10</sup> We include a total of 16 countries: with the exception of Portugal, all countries start at least in the interwar period, most even before the First World War.

[Tables 2](#) and [3](#) report estimation results for housing completions for the whole sample and the war-unaffected, post-1960 subsample, respectively. We distinguish war- from post-war-times because the former are arguably very unrepresentative times for housing policies and rent policies in particular. A first observation is that the different combinations of regulation indices share a persistent negative coefficient sign (with the exception of second generation controls), but at low significance levels. A closer look shows that three regulation indices are statistically significant: tenancy security in the whole sample, housing rationing and rent price controls in the war-unaffected subsample. The effect of the general rent price regulation is entirely driven by the remaining hard first-generation price controls. All affect the intensity of residential construction negatively. Thus, stricter regulations, limiting the freedom of landlords to set prices and to select tenants, diminish the incentives to build new housing.

[Table 2](#) presents estimation results for the whole sample using the intensity of housing construction as a dependent variable.

Regarding the magnitude of the effect, it is sizeable, but also not extremely large. The linear effects are the smallest for the models

**Table 2.** Estimation results of panel data model: construction intensity, whole period.

Dependent variable: growth rate of construction intensity				
	Model 1	Model 2	Model 3	Model 4
Rent laws <sub><i>t-2</i></sub>	-0.026 (0.036)			-0.160 (0.111)
Rent laws <sup>2</sup> <sub><i>t-2</i></sub>				0.127 (0.110)
First-generation rent control <sub><i>t-2</i></sub>			-0.031 (0.020)	
Second-generation rent control <sub><i>t-2</i></sub>			0.013 (0.027)	
Tenure security <sub><i>t-2</i></sub>	-0.083* (0.041)		-0.102* (0.051)	-0.073 (0.039)
Rationing <sub><i>t-2</i></sub>	-0.081 (0.095)	-0.082 (0.096)	-0.071 (0.096)	-0.087 (0.099)
RMRI <sub><i>t-2</i></sub>		-0.094 (0.063)		
Per-capita GDP growth <sub><i>t-1</i></sub>	0.252 (0.179)	0.256 (0.179)	0.260 (0.181)	0.256 (0.177)
Long-term interest rate <sub><i>t-1</i></sub>	-0.003* (0.001)	-0.003* (0.001)	-0.002 (0.001)	-0.003 (0.002)
Relative rate of return <sub><i>t-1</i></sub>	-0.045 (0.222)	0.007 (0.225)	0.014 (0.232)	-0.004 (0.227)
Change in loan-to-GDP ratio <sub><i>t-1</i></sub>	0.177 (0.176)	0.189 (0.179)	0.185 (0.177)	0.195 (0.180)
Change in loan-to-GDP ratio <sup>2</sup> <sub><i>t-1</i></sub>	-5.032*** (1.079)	-5.142*** (1.029)	-5.068*** (1.056)	-5.140*** (1.088)
Government balance-to-GDP ratio <sub><i>t-1</i></sub>	0.015 (0.191)	-0.013 (0.179)	0.030 (0.190)	-0.001 (0.197)
Population growth <sub><i>t-1</i></sub>	1.874 (1.637)	1.593 (1.634)	1.816 (1.701)	1.792 (1.667)
Dependency ratio <sub><i>t-1</i></sub>	-0.275 (0.196)	-0.292 (0.212)	-0.314 (0.203)	-0.279 (0.195)
Marriage rate <sub><i>t-1</i></sub>	0.027* (0.011)	0.028* (0.011)	0.028* (0.011)	0.027* (0.011)
R <sup>2</sup>	0.054	0.052	0.057	0.055
Number of observations	1005	1005	1005	1005

\*\*\* $p < 0.001$ , \*\* $p < 0.01$ , \* $p < 0.05$ .

estimated over the whole period: the largest decline of the growth rate of construction intensity is obtained for the maximum rent control intensity (equal to 1) and is between -1.3% for all and -1.6% for developed economies. For the post-1960 period, the effects are much larger, varying from the largest decline of about -6% for all countries to almost -8% for developed ones. Assume that in the initial situation (period  $t$ ) there is no rent control and that construction intensity is 10 dwellings per 1000 inhabitants. If in the following year ( $t+1$ ) the strictest possible rent control is introduced, in  $t+3$  the construction intensity would fall to 9.84–9.87 dwellings per 1000 persons for the whole period and to 9.2–9.4 dwellings per 1000 persons for the post-1960 period. In a country with 100 million inhabitants, it would correspond to a reduction in residential construction by 13,000–16,000 and 60,000–80,000 dwellings, respectively, which is a sizeable magnitude over several years, but also not a complete construction stop.



**Table 3.** Estimation results of panel data model: construction intensity, 1960–2016.

Dependent variable: growth rate of construction intensity				
	Model 1	Model 2	Model 3	Model 4
Rent laws <sub><i>t-2</i></sub>	-0.085** (0.027)			-0.013 (0.104)
Rent laws <sup>2</sup> <sub><i>t-1</i></sub>				-0.069 (0.100)
First-generation rent control <sub><i>t-2</i></sub>			-0.043* (0.019)	
Second-generation rent control <sub><i>t-2</i></sub>			0.003 (0.025)	
Tenure security <sub><i>t-2</i></sub>	-0.069 (0.036)		-0.087 (0.046)	-0.072 (0.038)
Rationing <sub><i>t-2</i></sub>	-0.221*** (0.056)	-0.221*** (0.054)	-0.231*** (0.061)	-0.224*** (0.055)
RMRI <sub><i>t-2</i></sub>		-0.157** (0.050)		
Per-capita GDP growth <sub><i>t-1</i></sub>	0.629** (0.207)	0.627** (0.202)	0.629** (0.206)	0.628** (0.207)
Long-term interest rate <sub><i>t-1</i></sub>	-0.003* (0.002)	-0.003* (0.002)	-0.002 (0.001)	-0.003* (0.002)
Relative rate of return <sub><i>t-1</i></sub>	0.162 (0.324)	0.142 (0.305)	0.169 (0.341)	0.160 (0.325)
Change in loan-to-GDP ratio <sub><i>t-1</i></sub>	0.153 (0.196)	0.150 (0.196)	0.140 (0.198)	0.140 (0.196)
Change in loan-to-GDP ratio <sup>2</sup> <sub><i>t-1</i></sub>	-3.144* (1.276)	-3.113* (1.298)	-3.153* (1.276)	-3.090* (1.286)
Government balance-to-GDP ratio <sub><i>t-1</i></sub>	0.303 (0.201)	0.310 (0.193)	0.337 (0.212)	0.311 (0.202)
Population growth <sub><i>t-1</i></sub>	1.443 (0.774)	1.499 (0.798)	1.405 (0.897)	1.639 (0.873)
Dependency ratio <sub><i>t-1</i></sub>	-0.055 (0.129)	-0.054 (0.127)	-0.030 (0.141)	-0.070 (0.141)
Marriage rate <sub><i>t-1</i></sub>	0.026*** (0.007)	0.026*** (0.007)	0.027*** (0.007)	0.026*** (0.007)
R <sup>2</sup>	0.095	0.095	0.094	0.096
Number of observations	807	807	807	807

\*\*\* $p < 0.001$ , \*\* $p < 0.01$ , \* $p < 0.05$ .

Over the whole sample, growth of real per-capita GDP is statistically significant among the control variables. It exerts a strong positive effect on the construction intensity, which corroborates economic theory and common sense. Higher interest rates, in turn, rather depress new construction, whereas more mortgage debt (insignificantly) increases construction, but only up to a certain point (significantly negative square term). Among the demographic variables, marriage rates have a statistically significant positive effect. Even when people marry less, marriage rates might be a proxy for years when demographic cycles produce more family formation and hence construction demand. The addition of demographic and particularly economic variables normally associated with the building cycle takes away the significance of regulation indices.

Much of the regulation effect is driven by the war-time effects as the war-unaffected subsample results in Table 3 shows: post-1960, rent and

rationing regulation indices are negatively associated with construction intensity and significantly so. Apparently, the housing rationing, being one of the most drastic measures, has a strong negative impact on the confidence of investors and, therefore, on their willingness to build new houses. Thus, the threat of being expropriated represents an effective obstacle to residential construction. The rent control effect is again driven by the strict rent freezes and not the second-generation controls.

The coefficient estimates obtained for the alternative dependent variable, construction investment per GDP, are very consistent with those obtained for the construction intensity (not shown). Restrictive housing policies appear to exert a negative impact on residential construction, especially since 1960, but at low significance levels. For the more recent period, rent price controls have again a significantly negative effect, mostly driven again by the first-generation rent controls. Supply rationing measures are highly significant in this period and reduce new constructions. Tenure security regulations are only statistically significant for the estimation over the whole sample. Increasing tenancy regulation to a maximum leads to a decrease of residential investment per GDP of 0.085 percentage points and of up to 0.043 for the strict first-generation controls. The control variables behave very similarly to the results in the previous two estimates.

Although we find negative effects of restrictive regulations on housing construction, these effects are often not statistically significant. It is possible that due to factors internal to each country positive and negative effects in different types of countries cancel each other out. This issue could theoretically be addressed by focussing on specific countries. However, such a country-specific analysis is rather difficult due to the limited number of observations per country. This is the reason why we opted for using the panel-data approach that dramatically increases the number of observations. To some extent, the country-specific effects are captured by the fixed effects. However, it can be true that an offsetting of effects in various countries occurs. Nevertheless, as an overview of the empirical literature on rent control effects shows, most studies using different methodologies and data find that rent control exerts either a negative or no impact on housing construction (Kholodilin, 2022). Thus, the cancelling out of effects could hardly affect our main conclusion.

## Discussion and conclusion

The general finding points to the expected negative effect of rent regulation on new residential construction: throughout different samples and specifications, the regulation coefficients are negative, albeit with changing levels of significance. The finding is most persistent for rationing and first-generation rent controls and most pronounced for the war-unaffected period which reaches up to the current day. Higher levels of security of tenure can depress new construction. However, this finding is not always confirmed, as the corresponding coefficient is only statistically significant

in the total sample. Overall, with the most complete historical-comparative data available, the received wisdom among economists of a negative construction and investment effect of rent controls seems to hold, but with far less persistence and magnitude than is usually assumed. In many models, new construction depends more on economic or demographic factors than on tenancy regulation. This is in line with the rather mixed results of existing studies of smaller geographic and temporal scope, where almost half of the studies produce null findings.

The models covering the whole time period do not find any significant rent-control effect other than for the war-related first-generation controls and for the rationing measures. One explanation could be that lower rent control intensity corresponds to the more flexible first-generation rent control, while higher ones correspond to the much more restrictive first-generation rent control. This is in line with previous research (Mense et al., 2018). Finally, one could argue that the magnitude of the examined effects is not particularly high in general. It is not the case that private construction completely stops after the introduction of rent control measures.

What could explain the deviance from the usually expected result? In the following, we want to discuss potential data and model configurations which could explain our main results. One obvious explanation is that rent control laws often exempt new construction from regulations. A sub-item in the regulation data set measures whether exceptions to rent controls exist (e.g., for the luxury market segment, new construction, and certain geographies). In the global sample, these exceptions were present in about 70% of all country years during which rent legislation was in place. Unfortunately, the variable is coded too broadly, not taking into account kind and degree, to produce any significant results. Yet, the purpose of many exceptions is to guarantee that the incentives for building new houses are not diminished. Thus, the rents for newly built dwellings are not controlled and so the investors can earn decent profits on it. But investors might still shy away from further investment in rental stock, as they might expect a general deterioration of investment climate and a slippery slope towards even more state intervention.

A second explanation can draw on the fact that tenancy regulation crowds out rental dwellings in favour of owner-occupied ones in the existing housing stock (Fetter, 2016; Kholodilin & Kohl, 2021b). What holds for the existing housing stock may as well hold for new construction: A potential reduction in completions of rental dwellings could thus be more than offset by the increase in the completion numbers in the owner-occupied housing segment. This is all the more probable, given the evidence that homeowner-dominated societies are more prone to speculative house price dynamics (Rünstler, 2016). Homeowners or would-be homeowners who observe house price increases and expect them to continue are eager to participate in the overall speculative movement hoping to obtain capital gains. Thus, more housing is built in such economies than in the tenant-dominated ones, where most people are rather unwilling to see house prices

increases, since this often goes hand in hand with rent increases. It should be noted also that the switch from tenant to homeowner dominance can be the result of too strict rental regulations. In principle, one would need to replace our current dependent variable of all new constructions by new rental constructions, but the future use of a housing unit is unfortunately not known, let alone surveyed at the point of its construction.

A final explanation for why rent regulation is not universally affecting new construction resides in the fact that in many historical cases the restrictive rental measures are accompanied by housing policies seeking to foster the building activities through social housing or the stimulation of more private housing construction. This has especially been the case after major housing supply shocks caused by wars or natural catastrophes. The inevitable rent increases are anticipated by using rent controls and the resulting unwillingness to build by private investors makes the government step in to either replace the private building initiative or stimulate it artificially. This could also explain why the global sample results show less significant results than the shorter sample estimates as they included the period of strongest state intervention in housing markets, including social housing construction.

What then are the implications? Rent control measures of even the hard first-generation rent freezes or rationing measures are currently debated and passed in European countries and beyond. Even though they are often introduced with good intentions as social policy in favour of tenants and even potentially lowering short-term inequalities (Kholodilin & Kohl, 2021a), our results suggest that economists do have a point when warning about unintended consequences of depressing new construction. Rent controls help sitting tenants in the short run but contribute to future housing shortages for new tenants in the longer run. This long-run result can partially be offset by additional state policies stimulating housing construction. However, under rent control, the efforts to spur residential construction have to be much larger than in its absence. This undermines the frequently used argument that rent control is an interim measure deployed in order to combat rent increases, while awaiting for construction to gain momentum. Therefore, if one wants to overcome housing shortages as soon as possible, it may be better to abstain from restricting rents, especially from using strict first-generation rent controls.

## Notes

1. Senate Bill 608 relating to residential tenancies; creating new provisions; amending ORS 90.100, 90.220, 90.323, 90.427, 90.600, 90.643, 90.675 and 105.124; and declaring an emergency.
2. Housing Stability and Tenant Protection Act of 2019.
3. See 'Gesetz zur Mietbegrenzung im Wohnungswesen in Berlin (MietenWoG Bln)' as of 11 February 2020. The law was enacted on 23 February 2020.
4. *Ley 11/2020, de 18 de septiembre, de medidas urgentes en materia de contención de rentas en los contratos de arrendamiento de vivienda y de modificación de la Ley 18/2007, de la Ley 24/2015 y*

de la Ley 4/2016, relativas a la protección del derecho a la vivienda. This regulation was apparently influenced to a large extent by the so-called rental brake (*Mietpreisbremse*) introduced in Germany in 2015. However, in March 2022, the Catalan rent control law was revoked by the Spanish Constitutional Court as unconstitutional—*Sentencia de Tribunal Constitucional de España—Sentencia 37/2022, de 10 de marzo de 2022. Recurso de inconstitucionalidad 6289-2020*.

5. See [https://rpubs.com/Konstantin\\_Xo/COVID19\\_housing\\_policies](https://rpubs.com/Konstantin_Xo/COVID19_housing_policies).
6. To name just a few: (1) Cournède et al. (2019) find that a tighter rental regulation tends to exacerbate the risk of severe economic downturns; (2) Cavalleri et al. (2019) suggest that restrictive rental market regulations can decrease the price elasticity of housing supply; while (3) Elfayoumi et al. (2021) investigate the link between rental market regulations and affordability of rental housing.
7. In such a regression, the homeownership variable does not have significant effects.
8. Marriage rates and age composition are interpolated using the **R**-package *stinepack* based on Stineman (1980).
9. Average Length of Time from Start to Completion of New Privately Owned Residential Buildings; [https://www.census.gov/construction/nrc/pdf/avg\\_starttocomp.pdf](https://www.census.gov/construction/nrc/pdf/avg_starttocomp.pdf). The larger the building, the lengthier the process: it takes 18 months for buildings with 20 units and more. Thus, changes in regulations affect the willingness of investors to apply for permits. Only after the permits are obtained the construction can begin.
10. The results for the second dependent variable are available upon request, and more documentation is shown in the longer working paper version.

## Disclosure statement

The authors confirm that the article involves no conflicts of interest.

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## The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco<sup>†</sup>

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*Using a 1994 law change, we exploit quasi-experimental variation in the assignment of rent control in San Francisco to study its impacts on tenants and landlords. Leveraging new data tracking individuals' migration, we find rent control limits renters' mobility by 20 percent and lowers displacement from San Francisco. Landlords treated by rent control reduce rental housing supplies by 15 percent by selling to owner-occupants and redeveloping buildings. Thus, 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. (JEL R23, R31, R38)*

Steadily rising housing rents in many of the United State's large, productive cities has brought the issue of affordable housing to the forefront of the policy debate and reignited the discussion over expanding or enacting rent control provisions. While the details of rent control regulations vary some across places, they generally regulate rent increases and place restrictions on evictions. State lawmakers in California, Colorado, Illinois, and Oregon have considered repealing laws that limit cities' abilities to pass or expand rent control. Rent control is already extremely popular around the San Francisco Bay Area. Nine Bay Area cities already impose rent control regulations, two of which recently passed rent control laws through majority votes on the November 2016 ballot.

A substantial body of economic research has warned about potential negative efficiency consequences of limiting rent increases below market rates, including overconsumption of housing by tenants of rent-controlled apartments (Olsen 1972, Gyourko and Linneman 1989), misallocation of heterogeneous housing to heterogeneous tenants (Suen 1989, Glaeser and Luttmer 2003, Sims 2011, Bulow and Klemperer 2012), negative spillovers onto neighboring housing (Sims 2007; Autor, Palmer, and Pathak 2014) and neglect of required maintenance (Downs 1988). Yet, due to incomplete markets, in the absence of rent control, many tenants are unable to insure themselves against rent increases. Of course, individuals who have little connection to any specific area may be able to easily insure themselves against

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local rental price appreciation by simply moving to a cheaper location. However, if long-term tenants have developed neighborhood-specific capital, such as a network of friends and family, proximity to one's job, or proximity to the schools of one's children, then these tenants face large risks from rent appreciation. A variety of affordable housing advocates have argued that many tenants greatly value such insurance and that rent control can effectively provide it.

Despite the policy interest, due to a lack of detailed data and natural experiments, we have little well-identified empirical evidence evaluating how introducing local rent controls affects tenants, landlords, and the broader housing market.<sup>1</sup> In this paper, we bring to bear new microdata and exploit quasi-experimental variation in the assignment of rent control to fill this gap. We exploit an unexpected 1994 law change that suddenly rent-controlled a subset of San Francisco buildings and their tenants, based on the year each building was built. However, the law left very similar buildings and tenants without rent control. We find tenants covered by rent control do place a substantial value on the benefit, as revealed by their choice to remain in their apartments longer than those without rent control. Indeed, we find the vast majority of those incentivized to remain in their rent-controlled apartment would have been displaced from San Francisco had they not been covered.

However, landlords of properties affected by the law change respond over the long term by substituting to other types of real estate, in particular by converting to condos and redeveloping buildings so as to exempt them from rent control. In the long run, landlords' substitution toward owner-occupied and newly constructed rental housing not only lowered the supply of rental housing in the city, but also shifted the city's housing supply toward less affordable types of housing that likely cater to the tastes of higher income individuals. Ultimately, these endogenous shifts in the housing supply likely drove up citywide rents, damaging housing affordability for future renters, and counteracting the stated claims of the law.

In 1979, San Francisco imposed rent control on all standing buildings with five or more apartments. While all large buildings built as of 1979 would now be rent-controlled, new construction was exempt from the law, since legislators did not want to discourage new development. In addition, smaller multi-family buildings were exempt from rent control since they were viewed as more "mom and pop" ventures, and did not have market power over rents. However, this small multi-family exemption was lifted through a 1994 San Francisco ballot initiative. Proponents of this law change argued small multi-family housing was now primarily owned by large businesses and should face the same rent control restrictions of large multi-family housing. Since the initial 1979 rent control law only impacted properties built from 1979 and earlier, the removal of the small multi-family exemption also only affected properties built 1979 and earlier. This led to quasi-experimental rent control expansion in 1994 based on whether the small multi-family housing was built prior to or post 1980.

To examine rent control's effects on tenant migration and neighborhood choices, we make use of new panel data which provide address-level migration decisions

<sup>1</sup>Notable exceptions to this are Sims (2007) and Autor, Palmer, and Pathak (2014) which use the repeal of rent control in Cambridge, Massachusetts to study its spillover effects onto nearby property values and building maintenance. Neither one of these papers, however, directly studies how rent control impacts tenants.

and housing characteristics for the majority of adults living in San Francisco in the early 1990s. This allows us to define our treatment group as renters who lived in small multi-family apartment buildings built prior to 1980 and our control group as renters living in small multi-family housing built between 1980 and 1990. Using our data, we can follow each of these groups over time up until the present, regardless of where they migrate.

We find that between five and ten years after the law change, the beneficiaries of rent control are, on average, 3.5 percentage points more likely to still remain at their 1994 address relative to the control group. Since only 18 percent of the control group still remained at their 1994 address for this long, this estimate represents a 19.4 percent increase in not moving ( $3.5/18$ ) relative to the control group. We further find that the beneficiaries are 4.5 percentage points more likely to remain in San Francisco relative to the control group, indicating that a large share of the renters who remained at their 1994 address due to rent control would have left San Francisco had they not been covered by rent control. This would likely be viewed as a desirable outcome by rent control advocates.

We next analyze treatment effect heterogeneity along a number of dimensions. We first find that our estimated effects are significantly stronger among older households and among households that have already spent a number of years at their address prior to treatment. This is consistent with the idea that both of these populations are less likely to experience personal shocks requiring them to change residence and thus, are better able to take advantage of the potential savings offered by rent control.

We then examine whether the effects we estimate vary across racial groups. We do not directly observe race in our data, so we use an imputation procedure based on renters' names and addresses.<sup>2</sup> We find rent control has an especially large impact on preventing the displacement of racial minorities from San Francisco, suggesting that rent control helps to foster the racial diversity of San Francisco, at least among the initial cohort of renters covered by the law.

Finally, we analyze whether rent control enables tenants to live in neighborhoods with better amenities. One might expect neighborhoods with the largest increases in market prices and amenities would be ones where tenants would remain in their rent-controlled apartments the longest, since their outside options in the neighborhood would be especially expensive. However, for these same reasons, landlords in these high-rent, high-amenity neighborhoods would have large incentives to remove tenants.<sup>3</sup> They then could either reset rents to market rates with a new tenant or redevelop the building as condos or new construction, both of which are exempt from rent control. These landlord incentives would push rent control tenants out of the nicest neighborhoods. In fact, we find the landlords' incentives appear to dominate. The average tenant treated by rent control lives in a census tract with worse observable amenities, as measured by the census tract's median household income, share of the population with a college degree, median house value, and share unemployed.

<sup>2</sup>We impute race by combining imputed race based on first and last name (Ye et al. 2017) and the racial mix of one's census block of residence in 1990. See Section II for more details.

<sup>3</sup>In practice, landlords use a number of legal means to remove their tenants, including owner move-in eviction, Ellis Act eviction, or monetary compensation. Landlords may also engage in various pressure tactics, such as tardy maintenance, to pressure tenants to leave.

Thus, while rent control does prevent displacement from San Francisco, it does not provide access to the best neighborhoods in the city.

The evidence above suggests that landlords do not passively accept the burdens of the law. To further study the landlord response to the rent control expansion and to understand the impact of rent control on rental supply, we merge in historical parcel history data from the San Francisco Assessor's Office, which allows us to observe parcel splits and condo conversions. We find that rent-controlled buildings were 8 percentage points more likely to convert to a condo or a Tenancy in Common (TIC) than buildings in the control group. Consistent with these findings, we find that rent control led to a 15 percentage point decline in the number of renters living in treated buildings and a 25 percentage point reduction in the number of renters living in rent-controlled units, relative to 1994 levels. This large reduction in rental housing supply was driven by both converting existing structures to owner-occupied condominium housing and by replacing existing structures with new construction.

This 15 percentage point reduction in the rental supply of small multi-family housing likely led to rent increases in the long run, consistent with standard economic theory. In this sense, rent control operated as a transfer between the future renters of San Francisco (who would pay these higher rents due to lower supply) to the renters living in San Francisco in 1994 (who benefited directly from lower rents). Furthermore, since many of the existing rental properties were converted to higher-end, owner-occupied condominium housing and new construction rentals, the passage of rent control ultimately led to a housing stock which caters to higher income individuals. We directly test whether rent control led to in-migration of higher income residents by imputing household income as the per capita income of the census block groups in which the building occupants resided in five year prior. We find that this high-end housing, developed in response to rent control, attracted residents with at least 18 percent higher income, relative to control group buildings in the same zip code.

Taking all of these points together, it appears rent control has actually contributed to the gentrification of San Francisco, the exact opposite of the policy's intended goal. Indeed, by simultaneously bringing in higher income residents and preventing displacement of minorities, rent control has contributed to widening income inequality of the city. For a full quantitative analysis of the welfare gains and losses due to rent control, see our companion paper (Diamond, McQuade, and Qian 2018), which estimates a dynamic discrete choice model of tenant migration and performs general equilibrium counterfactual analysis of the impacts of rent control.

Our paper is part of the literature on rent control. The two papers most closely related to ours are Sims (2007) and Autor, Palmer, and Pathak (2014), both of which study the effects of *ending* rent control in the Boston metropolitan area. Sims (2007) uses American Housing Survey (AHS) data to show that towns in the Boston metropolitan area in which rent control was abolished saw increases in rental supply and increased housing maintenance. Sims (2007) also shows some evidence of spillover effects on non-controlled properties. Autor, Palmer, and Pathak (2014) use property-level data on assessed values and transaction prices in Cambridge, Massachusetts to investigate these spillover effects more directly. They show that decontrol led to price appreciation at decontrolled and never-controlled units.

Our paper is different on a number of important dimensions. First, our paper uses a different natural experiment which has the nice feature of generating quasi-random assignment of rent control within narrowly defined neighborhoods. More substantively, by bringing to bear a unique, rich, and previously unused dataset, our paper is the first in this literature to be able to study how rent control impacts the behavior of the actual tenant beneficiaries. These estimates reveal a number of important insights regarding the value tenants place on rent control protections and rent control's ability to limit displacement, but also potential limitations in the ability of tenants to realize rent savings due to landlord responses.

Finally, since our unique data provide property-level information on renovations, condo conversions, and redevelopment, our paper shows that rent control can lead to an upgraded housing stock catering to higher income individuals. Indeed, the previous literature has shown that ending rent control leads to higher maintenance and higher nearby property values. To reconcile these seemingly conflicting points, it is crucial to understand that decontrol studies the effects of removing rent control on buildings which *still remain* covered. In fact, one of our key points is to show that a large share of landlords substitute away from supply of rent-controlled housing, making those properties which remain subject to rent control a selected set. In this way, studying the introduction of rent control, which our paper does, is not the same as studying the abolishment of rent control.

There also exists an older literature on rent control combining applied theory with cross-sectional empirical methods. These papers test whether the data are consistent with the theory being studied, but usually cannot quantify causal effects of rent control (Early 2000, Glaeser and Luttmer 2003, Gyourko and Linneman 1989, Gyourko and Linneman 1990, Moon and Stotsky 1993, Olsen 1972).

The remainder of the paper proceeds as follows. Section I discusses the history of rent control in San Francisco. Section II discusses the data used for the analysis. Section III presents our empirical results. Section IV concludes.

## I. A History of Rent Control in San Francisco

Regulations are widespread in housing markets, and rent controls are arguably among the most important historically (Stigler and Friedman 1946, Gyourko and Glaeser 2008). The modern era of US rent controls began as a part of World War II era price controls and as a reaction to housing shortages following demographic changes immediately after the war (Fetter 2016). These "hard price controls" that directly regulate the exact price of housing have been replaced by newer policies that regulate rent increases (Arnott 1995). This "newer style" policy is what exists in San Francisco.

Rent control in San Francisco began in 1979, when acting Mayor Dianne Feinstein signed San Francisco's first rent control law. Pressure to pass rent control measures was mounting due to high inflation rates nationwide, strong housing demand in San Francisco, and recently passed Proposition 13.<sup>4</sup> This law capped annual nominal rent increases to 7 percent and covered all rental units built before June 13,

<sup>4</sup>Proposition 13, passed in 1978, limited annual property tax increases for owners. Tenants felt they were entitled to similar benefits in the form of capped annual rent increases.

1979 with one key exemption: owner-occupied buildings containing 4 units or less.<sup>5</sup> These “mom and pop” landlords were cast as being less profit-driven than large-scale, corporate landlords, and more similar to the tenants being protected. These small multi-family structures made up about 44 percent of the rental housing stock in 1990, making this a large exemption to the rent control law.

While this exemption was intended to target “mom and pop” landlords, in practice small multi-families were increasingly purchased by larger businesses who would then sell a small share of the building to a live-in owner so as to satisfy the rent control law exemption. This became fuel for a new ballot initiative in 1994 to remove the small multi-family rent control exemption. This ballot initiative barely passed in November 1994. Suddenly, all multi-family structures with four units or less built in 1979 or earlier were now subject to rent control. These small multi-family structures built prior to 1980 remain rent-controlled today, while all of those built from 1980 or later are still not subject to rent control. San Francisco rent control laws have remained stable since then, possibly due to the statewide Costa-Hawkins Act. This law precludes any California city from rent controlling any housing stock built 1994 or later and regulates the scope of rent control allowed. For example, it requires rent-controlled apartment rents to be unregulated between tenants.

## II. Data

We bring together data from multiple sources to enable us to observe property characteristics, determine treatment and control groups, track the migration decisions of tenants, and observe the property decisions of landlords. Our first dataset is from Infutor, which provides the entire address history of individuals who resided in San Francisco at some point between the years of 1980 and 2016.<sup>6</sup> The data include not only individuals’ San Francisco addresses, but any other address within the United States at which that individual lived during the period of 1980–2016. The dataset provides the exact street address, the month and year in which the individual lived at that particular location, the name of the individual, and some demographic information including age and gender.

We link these data to property records provided by DataQuick. These data provide us with a variety of property characteristics, such as the use-code (single-family, multi-family, commercial, etc.), the year the building was built, and the number of units in the structure. For each property, the data also detail its transaction history since 1988, including transaction prices, as well as the buyer and seller names. By comparing last names in Infutor to the listed owners of the property in DataQuick, we are able to distinguish owners from renters.

Next, we match each address to its official parcel number from the San Francisco Assessor’s office. Using the parcel ID number from the Secured Roll data, we merge in any building permits that have been associated with that property since 1980. These data come from the San Francisco Planning office. This allows us to track

<sup>5</sup>The annual allowable rent increase was cut to 4 percent in 1984 and later to 60 percent of the CPI in 1992, where it remains today.

<sup>6</sup>Infutor is a data aggregator of address data using many sources including sources such as phone books, voter files, property deeds, magazine subscriptions, credit header files, and others.



large investments in renovations over time based on the quantity and type of permit issued to each building.

Finally, the parcel number also allows us to link to the parcel history file from the Assessor's office. This allows us to observe changes in the parcel structure over time. In particular, this allows us to determine whether parcels were split off over time, a common occurrence when a multi-family apartment building (one parcel) splits into separate parcels for each apartment during a condo conversion.

Summary statistics are provided in Table 1. We see the average renter in our sample in 1994 is about 37 years old and has lived at their current address for 6 years. We also see that these small multi-family properties are made up of 82 percent (0.74/0.9) renters and 18 percent owner occupants prior to 1994.

### A. Data Representativeness

To examine the representativeness of the Infutor data, we link all individuals reported as living in San Francisco in 1990 to their census tract, to create census tract population counts as measured in Infutor. We make similar census tract population counts for the year 2000 and compare these San Francisco census tract population counts to those reported in the 1990 and 2000 Census for adults 18 years old and above. Regressions of the Infutor populations on census population are shown in Figure 1.<sup>7</sup> Panel A shows that for each additional person recorded in the 1990 Census, Infutor contains an additional 0.44 people, suggesting we have a 44 percent sample of the population. While we do not observe the universe of San Francisco residents in 1990, the data appear quite representative, as the census tract population in the 1990 Census can explain 69 percent of the census tract variation in population measured from Infutor. Our data are even better in the year 2000. Panel B shows that we appear to have 1.1 people in Infutor for each person observed in the 2000 US Census. We likely overcount the number of people in each tract in Infutor since we are not conditioning on year of death in the Infutor data, leading to overcounting of alive people. However, the Infutor data still tracks population well, as the census tract population in the 2000 Census can explain 90 percent of the census tract variation in population measured from Infutor.

Infutor also provides information on age. As additional checks, we compare the population counts within decadal age groups living in a particular census tract as reported by Infutor to that reported by the Census. We again report the results for both 1990 and 2000. Unlike the prior analysis, we must drop Infutor observations missing birth date information for this, making our sample smaller. As shown in panel A of Table 2, the slopes of the regression lines for the 18–29, 30–39, 40–49, 50–59, and 60–69 age groups are 0.31, 0.44, 0.42, 0.24, and 0.16, respectively. This indicates the Infutor coverage is strongest for 30–49-year-olds in 1990. The  $R^2$  values are also the highest in this age range at 65 to 76 percent. The coverage of the data improves dramatically by 2000, as shown in panel A of Table 2. The regression line slopes for the respective age groups are now 0.33, 0.74, 0.72, 0.70, 0.45. The  $R^2$  values range from 0.61–0.85. It is clear the data disproportionately undersamples

<sup>7</sup>We only can do data validation relative to the US Censuses for census tracts in San Francisco because we only have address histories for people who lived in San Francisco at some point in their life.

TABLE 1—SAMPLE CHARACTERISTICS OF MULTI-FAMILY PROPERTIES (2–4 UNITS) AND THEIR TENANTS

	1990–1993			1994–2016		
	Treat	Control	Difference	Treat	Control	Difference
<i>Panel A. Tenants living in multi-family residence (2–4 units)</i>						
A1. Demographics						
Age in 1993	37.708 (10.438)	37.120 (10.639)	0.587 (0.247)	37.708 10.438	37.120 (10.639)	0.587 (0.247)
A2. Residency						
In San Francisco	0.954 (0.210)	0.954 (0.210)	0.000 (0.002)	0.569 (0.495)	0.538 (0.499)	0.032 (0.002)
Same address	0.870 (0.336)	0.867 (0.340)	0.003 (0.004)	0.261 (0.439)	0.240 (0.427)	0.021 (0.002)
Years at address	6.015 (3.958)	5.825 (3.927)	0.190 (0.047)	6.590 (5.898)	6.267 (5.530)	0.324 (0.029)
Number of persons	44,502	1,861	46,363	44,502	1,861	46,363
<i>Panel B. Multi-family properties (2–4 units)</i>						
B1. Residency						
Conversion	0.000 (0.009)	0.000 (0.000)	0.000 (0.000)	0.096 (0.294)	0.044 (0.206)	0.051 (0.002)
B2. Population, 1990–1994						
Population/avg. population	0.898 (0.436)	0.905 (0.426)	–0.008 (0.007)	2.282 (4.029)	2.252 (2.998)	0.030 (0.028)
Renters/avg. population	0.741 (0.484)	0.737 (0.482)	0.004 (0.008)	1.680 (3.555)	1.700 (2.517)	–0.020 (0.025)
Renters in rent-controlled buildings/avg. population	0.741 (0.484)	0.737 (0.482)	0.004 (0.008)	1.404 (1.927)	1.570 (2.053)	–0.165 (0.014)
Renters in redeveloped buildings/avg. population	0 (0)	0 (0)	0 (0)	0.129 (0.740)	0.060 (0.541)	0.069 (0.005)
Owners/avg. population	0.157 (0.329)	0.168 (0.335)	–0.012 (0.006)	0.602 (1.581)	0.552 (1.348)	0.050 (0.011)
B3. Permits						
Cumulative Add/alter/repair per unit	0.072 (0.231)	0.088 (0.287)	–0.016 (0.004)	0.290 (0.511)	0.254 (0.536)	0.035 (0.004)
Number of parcels	25,925	892	26,817	25,925	892	26,817

*Notes:* Panel A reports the summary statistics of the demographic characteristics and residency outcomes during 1990–2016 of our tenant sample. The sample consists of all tenants between 20 and 65 years old living in San Francisco as of December 31, 1993 and in multi-family residences with 2–4 units that were built during 1900–1990. Panel B reports the summary statistics of the outcomes variables related to residency, population changes, and permit issuance during 1990–2016 of our property sample. The sample consists of all parcels that are multi-family residence with 2–4 units in San Francisco that were built during 1900–1990. The *Treat* and *Control* columns report the mean and standard deviation (in parentheses) of each outcome variable at the tenant level in panel A and at the property level in panel B. The *Difference* column reports the coefficient and standard error (in parentheses) of a regression of each outcome variable on the treatment dummy at the tenant level in panel A and at the property level in panel B.

the youngest group, but this is unsurprising as these data come from sources such as credit header files, voter files, and property deeds. Eighteen-year-olds are less likely to show up in these sources right away. Overall the data coverage looks quite good.

As described above, we merge the Infutor data with public records information provided by DataQuick about the particular property located at a given address, such as use-code and age of the property. We assess the quality of the matching procedure by comparing the distribution of the year buildings were built across census tracts among addresses listed as occupied in Infutor versus the 1990 and 2000 Censuses.



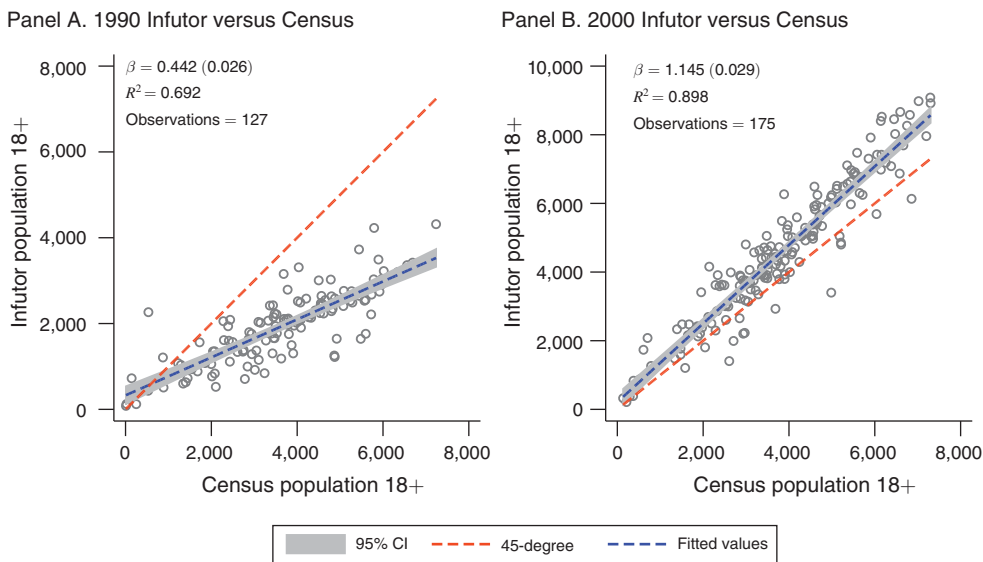


FIGURE 1. VALIDATION OF INFUTOR POPULATION VERSUS US CENSUS POPULATION

Notes: Plot shows the population of 18 and over in each census tract in 1990 and 2000 from Infutor data against that from 1990 and 2000 Censuses, respectively. The fitted line is by OLS.

TABLE 2—REPRESENTATIVENESS OF INFUTOR DATA: POPULATION BY AGE GROUPS AND AGE OF OCCUPIED HOUSING STOCKS

Age group	1990			Age group	2000		
	Slope	SE	R <sup>2</sup>		Slope	SE	R <sup>2</sup>
<i>Panel A. Population by age group</i>							
18–29	0.314	0.026	0.534	18–29	0.325	0.016	0.696
30–39	0.444	0.022	0.758	30–39	0.744	0.024	0.850
40–49	0.416	0.027	0.649	40–49	0.715	0.032	0.741
50–59	0.237	0.023	0.458	50–59	0.695	0.033	0.723
60–69	0.159	0.015	0.469	60–69	0.447	0.027	0.611
<i>Panel B. Age of occupied housing</i>							
Year built	Slope	SE	R <sup>2</sup>	Year built	Slope	SE	R <sup>2</sup>
1970–1990	0.639	0.046	0.667	1980–2000	0.813	0.024	0.876
1950–1969	0.928	0.046	0.807	1960–1979	1.083	0.036	0.853
1940–1949	1.111	0.035	0.911	1950–1959	0.955	0.049	0.711
1939 or earlier	1.024	0.040	0.872	1940–1949	1.323	0.042	0.863
				1939 or earlier	1.144	0.036	0.863

Notes: Panel A reports the coefficients, standard errors, and R<sup>2</sup> values of regressing the population counts within various age groups in each census tract from Infutor data against those from the Census in the year 1990 and 2000 respectively. Panel B reports the coefficients, standard errors, and R<sup>2</sup> values of regressing the fraction of buildings built in various time periods in each census tract from Infutor data against those from the Census in the year 1990 and 2000 respectively. In panel B, the regressions are weighted by the number of occupied housing units in each census tract from the Census.

If a building is constructed after 1993 according to its current day use-code, but we observe a person living there in 1993, we include it in the treatment group for rent control. Panel B of Table 2 shows the age distribution of the occupied stock by census tract. In both of the years 1990 and 2000, our R<sup>2</sup> values range from 67 percent

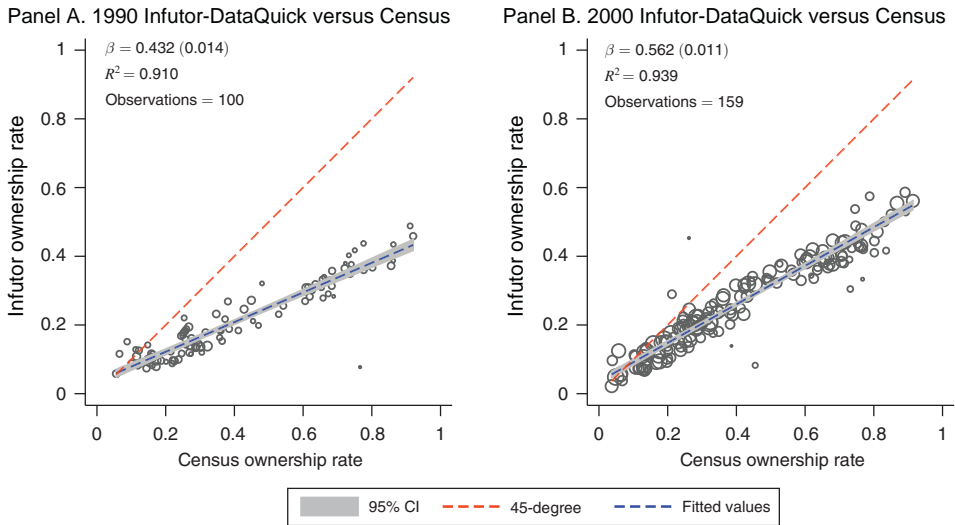


FIGURE 2. HOME OWNERSHIP RATES IN INFUTOR-DATAQUICK VERSUS US CENSUS

Notes: Plot shows census tract average owner occupant rates in 1990 and 2000 from Infutor-DataQuick data versus that from 1990 and 2000 Censuses. The size of marker is proportional to the number of occupied housing units in each census tract. The fitted line is by weighted least squares.

to 91 percent and we often cannot reject a slope of 1.<sup>8</sup> This highlights the extremely high quality of the linked Infutor-DataQuick data, as the addresses are clean enough to merge in the outside data source DataQuick and still manage to recover the same distribution of building ages as reported in both the 1990 and 2000 Censuses.

To measure whether Infutor residents were owners or renters of their properties, we compare the last names of the property owners list in DataQuick to the last names of the residents listed in Infutor. Since property can be owned in trusts, under a business name, or by a partner or spouse with a different last name, we expect to underclassify residents as owners. Figure 2 plots the Infutor measure of ownership rates by census tract in 1990 and 2000, respectively, against measures constructed using the 1990 and 2000 Censuses. In 1990 (2000), a 1 percentage point increase in the owner-occupied rate leads to a 0.43 (0.56) percentage point increase in the ownership rate measured in Infutor. Despite the undercounting, our cross-sectional variation across census tract matches the 1990 and 2000 censuses extremely well, with  $R^2$  values over 90 percent in both decades. This further highlights the quality of the Infutor data.

### B. Imputing Tenant Race

We use a two-step procedure to impute the race/ethnicity of individuals in our main sample of analysis: all tenants between 20 and 65 years old living in San Francisco as of December 31, 1993. In the first step, we use NamePrism, a

<sup>8</sup> Since year built comes from the Census long form, these data are based only on a 20 percent sample of the true distribution of building ages in each tract, creating measurement error that is likely worse in the census than in the merged Infutor-DataQuick data.

non-commercial ethnicity/nationality classification tool intended to support academic research (Ye et al. 2017), to compute baseline probabilities of race/ethnicity for each tenant based on her first name and last name. In the second step, we use Bayes' rule to update the name-based probabilities for race and ethnicity using the local racial distribution at each tenant's place of residence in 1990, following a similar methodology used by the Consumer Financial Protection Bureau (CFPB 2014). More details about each step are provided below.

In step 1, for each tenant, we use both her first and last name to query the NamePrism online tool and obtain baseline probabilities for the six ethnic categories defined by the US Census Bureau: Hispanic; non-Hispanic white; non-Hispanic black or African American; non-Hispanic Asian/Pacific Islander; non-Hispanic American Indian and Alaska Native; and non-Hispanic Multi-racial.<sup>9</sup> NamePrism employs a training dataset of 57 million contact lists from a major internet company, US Census data on the distribution of last names by race, and trains its algorithm using the homophily principle exhibited in communication as the basis for its ethnicity classifier.<sup>10</sup> In this step, each tenant is assigned a probability, ranging from 0 percent to 100 percent, of belonging to each of the six ethnic groups, and the six probabilities sum to 1.

In step 2, we update each tenant's baseline racial probabilities with the racial and ethnic characteristics of the census block associated with her place of residence in 1990 using Bayes' rule to obtain posterior probabilities for the six ethnic groups.<sup>11</sup> In particular, for a tenant with name  $s$  who resides in geographic area  $g$ , we calculate the probability of race or ethnicity  $r$  for each of the six categories for a given name  $s$ , denoted as  $\Pr(r|s)$ . From the Summary File 1 (SF1) from Census 1990, we obtain the proportion of the population belonging to race or ethnicity  $r$  that lives in geographic area  $g$ , denoted as  $\Pr(g|r)$ . Bayes' rule then gives the probability that a tenant with name  $s$  residing in geographic area  $g$  belongs to race or ethnicity  $r$ :

$$\Pr(r|g,s) = \frac{\Pr(r|s)\Pr(g|r)}{\sum_{r' \in R} \Pr(r'|s)\Pr(g|r')}$$

where  $R$  denotes the set of six ethnic categories. An assumption necessary for the validity of the Bayesian updating procedure is that the probability of living in a given geographic area, given one's race, is independent of one's name. For example, it assumes that blacks with the name John Smith are just as likely to live in a certain neighborhood as blacks in general.

For each tenant, we then assign a final racial probability if the maximum of the six posterior probabilities is equal to or above 0.8, and a final racial/ethnic category corresponding to the maximum posterior; otherwise a tenant's race/ethnicity is unclassified. Table 3 shows the breakdown of our racial and ethnic classification for our main sample of analysis.

<sup>9</sup>This classification considers Hispanic as mutually exclusive from the race categories, with individuals identified as Hispanic belonging only to that category, regardless of racial background.

<sup>10</sup>People tend to communicate more frequently with others of similar age, language, and location.

<sup>11</sup>In practice, census block level information on the racial and ethnic composition is available for 94.7 percent of our sample. For the rest of sample, we use racial and ethnic composition at the census block group (4 percent), census tract (0.2 percent), and 5-digit zip code levels (1 percent), whichever one is first available in the order listed. We set the posterior probabilities equal to the baseline probabilities from NamePrism for the rest: 0.1 percent of our sample.

TABLE 3—2010 CENSUS BLOCK RACIAL DISTRIBUTION BY TENANTS' RACE AMONG 1994 RENT CONTROL COHORT

	Average share in 2010 census block				Sample share (5)	SF overall	
	White (1)	Black (2)	Hispanic (3)	Asian (4)		1990 census (6)	2010 census (7)
<i>Predicted race</i>							
White	63.4	4.2	12.1	16.4	75.01	57.36	52.26
Black	24.8	24.0	24.4	22.8	1.40	7.72	4.69
Hispanic	33.7	6.3	31.4	24.9	8.20	14.18	18.28
Asian	38.1	4.1	13.2	40.8	15.39	20.16	24.51

*Notes:* Sample consists of all tenants with a classified race/ethnicity between 20 and 65 years old living in San Francisco as of December 31, 1993 and in multi-family residences with 2–4 units that were built during 1900–1990. We geocode the 2010 addresses of tenants in our sample to the census block level. Columns 1–4 report the average shares of white, black, Hispanic, and Asian population in the census blocks containing the 2010 addresses of tenants in each classified racial/ethnic category. Column 5 reports the share of our sample by predicted race. Columns 6 and 7 report the share of tenants in San Francisco between 20 and 65 years old who were living in small multi-family residences by racial/ethnic categories according to the 1990 and 2010 US censuses.

Our methodology is similar to what's used by the CFPB to construct proxy consumer race in order to conduct fair lending analysis. CFPB (2014) and Elliott et al. (2009) demonstrate that combining geography- and name-based information into a single proxy probability for race/ethnicity significantly outperforms traditional classification methods based on names or geography alone. The key difference between our method and CFPB's method is that we use NamePrism to compute "prior" probabilities, whereas CFPB relies on the racial distribution for common last names in the United States published by the Census Bureau (Comenetz 2016). Since NamePrism uses both first and last names from a much larger name database, it is able to classify race/ethnicity for a much wider range of names at higher accuracy. Moreover, we use census block level racial composition for Bayesian updating of racial probabilities whenever possible, whereas CFPB uses racial distribution at the census block group level, which is a larger geographic unit, and thus less refined.

*Validation of Race Imputation.*—We report some summary statistics regarding our race imputation methodology and perform a few validation checks. Using our imputation procedure and the linked Infutor-DataQuick data, we first report in column 5 of Table 3 the racial distribution of all tenants aged 20–65 living in multi-family residences with 2–4 units as of December 31, 1993. Column 6 of Table 3 reports the 1990 Census measure of this distribution. As in the census, we find that Asians are the most numerous minority, followed by Hispanics and then blacks. This table also shows that our procedure somewhat overrepresents whites in San Francisco and underrepresents the number of minorities. This is because we only assign a race to an individual if the probability of that race is above 80 percent. In practice, this means 8,009 tenants are not assigned a race, equal to 17.27 percent of our tenant sample. Many of these unassigned individuals are likely minorities, as a large fraction of the unassigned are those with minority-sounding names but who live in relatively racially integrated neighborhoods.<sup>12</sup>

<sup>12</sup>If we do not impose this cutoff and instead simply calculate raw means of each racial group's probabilities, our racial distribution looks much closer to the distribution reported by the Census. We feel that imposing the cutoff is appropriate, however, since it ameliorates concerns regarding measurement error in our regression analysis by

To further validate our methodology, we examine the average racial makeup of the 2010 census block in which our assigned individuals live. Note that this is an out-of-sample check since we use an individual's 1990 address, not their 2010 address, in our imputation procedure. The results are reported in columns 1 through 4 of Table 3. Consistent with what one would expect from some degree of continued racial sorting, individuals we classify as white live in neighborhoods with the greatest fraction of whites (as of 2010), those we classify as black live in neighborhoods with the greatest fraction of blacks (as of 2010), and similarly for Hispanics and Asians. The same sorting result appears when we regress racial shares of an individual's 2010 census block on the individual's assigned race. The results are reported in online Appendix Table A2, with black being the omitted category. For example, being white is the strongest positive predictor of the 2010 white share, being Hispanic is the strongest positive predictor of the 2010 Hispanic share, and similarly for Asians and blacks.

### III. Empirical Results

Studying the effects of rent control is challenged by the usual endogeneity issues. The tenants who choose to live in rent-controlled housing, for example, are likely a selected sample. To overcome these issues, we exploit the successful 1994 ballot initiative which removed the original 1979 exemption for small multi-family housing of four units or less, as discussed in Section I.

In 1994, as a result of the ballot initiative, tenants who happened to live in small multi-family housing built prior to 1980 were, all of a sudden, protected by statute against rent increases. Tenants who lived in small multi-family housing built 1980 and later continued to not receive rent control protections. We therefore use as our treatment group those renters who, as of December 31, 1993, lived in multi-family buildings of less than or equal to four units, built between years 1900 and 1979. We use as our control group those renters who, as of December 31, 1993, lived in multi-family buildings of less than or equal to four units, built between the years of 1980 and 1990. We exclude those renters who lived in small multi-family buildings constructed post-1990 since individuals who choose to live in new construction may constitute a selected sample and exhibit differential trends. We also exclude tenants who moved into their property prior to 1980, as none of the control group buildings would have been constructed at the time.

When examining the impact of rent control on the parcels themselves, we use small multi-family buildings built between the years of 1900 and 1979 as our treatment group and buildings built between the years of 1980 and 1990 as our control group. We again exclude buildings constructed in the early 1990s to remove any differential effects of new construction. Figure 3 shows the geographic distribution of treated buildings and control buildings in San Francisco. Since our control group was built over a narrow time span, the sample size of the treatment group is much larger than the control group. However, the control group buildings cover many

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restricting to those individuals whose racial classification is more precise. We investigate using the entire sample as a robustness check in the online Appendix.



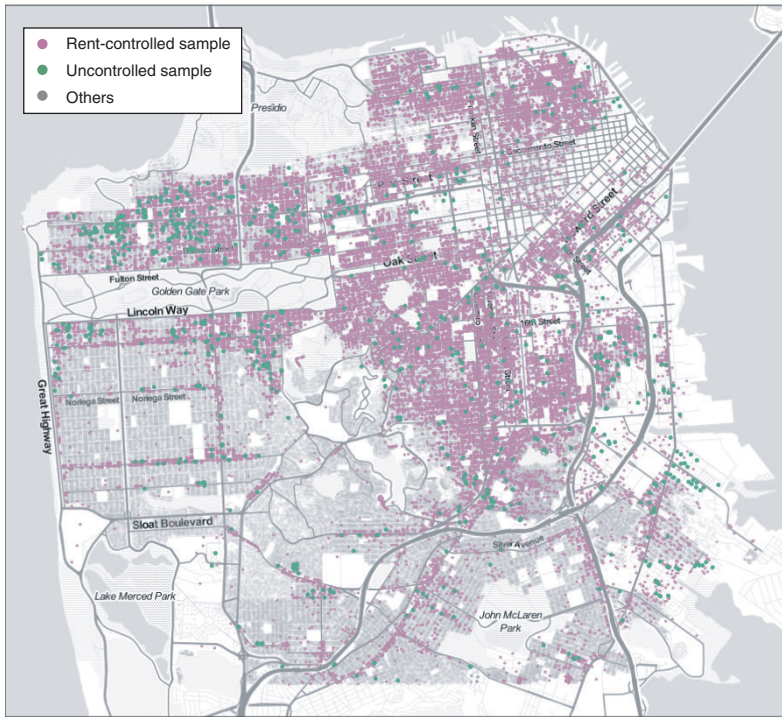


FIGURE 3. GEOGRAPHIC DISTRIBUTION OF TREATED AND CONTROL BUILDINGS IN SAN FRANCISCO

*Notes:* The purple dots represent parcels in the treatment group, which are parcels corresponding to multi-family residences with 2–4 units in San Francisco that were built between 1900–1979. The green dots represent parcels in the control group, which are parcels corresponding to multi-family residences with 2–4 units in San Francisco that were built between 1980–1990. The gray dots represent other types of housing stocks such as single-family residences and multi-family residences with five or more units.

neighborhoods across San Francisco, giving the treatment and control samples good overlap.

We next estimate balance tests between our treatment and control samples to evaluate whether rent control status was as good as randomly assigned. Table 1 compares the characteristics of tenants in treatment and control buildings, from 1990–1993, prior to treatment. The comparisons in raw means do not control for the zip code of the building, which we will always condition on in our analysis. Panel A shows that tenants in the treated buildings are 0.6 years older than tenants in control buildings. This is unsurprising as the older buildings have been around much longer, allowing for longer tenancies and thus older residents. Indeed, we also see that the average tenant in the treatment building has lived there for 6 years prior to treatment, while control group tenants have lived there for 5.8 years. To account for this differences, we will always condition on the length of tenancy, measured at the time of treatment, when comparing treatment and control groups in the following analysis.

We begin our analysis by studying the impact of rent control provisions on its tenant beneficiaries. Policy advocates argue that tenants covered by rent control will be dramatically helped by lower housing costs, thereby enabling them to stay in communities that they have lived in for a number years and grown attached to. We

evaluate these claims first by quantifying rent control's impact on the initial cohort of tenants living in the properties newly covered by the law. Later, in Section IIIB we examine how landlords' responses to the law change impacted the long-run housing supply of rental properties. In light of these findings, we then return to and evaluate the claim that rent control helps tenants by lowering housing costs and preventing displacement.

### A. Tenant Effects

We first examine whether rent control "locks tenants into their apartments," extending the duration of time they live at the address where they were first covered by rent control. On the one hand, locking tenants into their apartments could be viewed as a cost of rent control. Tenants might not be able to move to different types of housing as their needs change, such as when they get married or have a child. On the other hand, if tenants' lack of migration not only keeps them in the same apartment but enables them to stay in San Francisco overall, then this could be viewed as a success in that rent control prevents displacement.

To evaluate these effects we use a difference-in-differences design described above, with the following exact specification:

$$(1) \quad Y_{iszt} = \delta_{zt} + \alpha_i + \beta_t T_i + \gamma_{st} + \epsilon_{it}.$$

Here,  $Y_{iszt}$  are outcome variables equal to 1 if, in year  $t$ , the tenant  $i$  is still living at either the same address as they were at the end of 1993, or, alternatively, if the tenant is still living in San Francisco. The variables  $\alpha_i$  denote individual tenant fixed effects. The variable  $T_i$  denotes treatment, equal to 1 if, on December 31, 1993, the tenant is living in a multi-family building with less than or equal to four units built between the years 1900 and 1979.

We include fixed effects  $\gamma_{st}$  denoting the interaction of dummies for the year  $s$  the tenant moved into their 1993 apartment with calendar year  $t$  time dummies. These additional controls are needed since older buildings are mechanically more likely to have long-term, low-turnover tenants; not all of the control group buildings were built when some tenants in older buildings moved in. Finally, note we have included a full set of zip-code-by-year fixed effects,  $\delta_{zt}$ . In this way, we control for any differences in the geographic distribution of treated buildings versus control buildings, ensuring that our identification is based off of individuals who live in the same neighborhood, as measured by zip code. Our coefficient of interest, quantifying the effect of rent control on future residency, is denoted by  $\beta_t$ .

Our estimated effects are shown in Figure 4, along with 90 percent confidence intervals. As further evidence of random assignment, we see no pre-trends leading up to time of treatment. Exactly at time of treatment we see a large spike in the probability that the treatment group remains at their 1993 address, versus the control group. We can see that tenants who receive rent control protections are persistently more likely to remain at their 1993 address relative to the control group. This effect decays over time, which likely reflects that as more years go by, all tenants are increasingly likely to move away from where they lived in 1993. Further, we find that treated tenants are also more likely to be living in San Francisco. This result

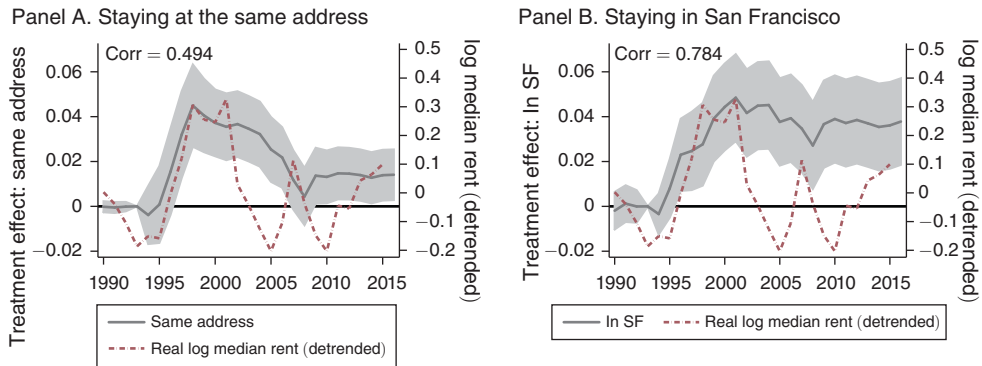


FIGURE 4. TREATMENT EFFECT FOR TENANTS IN MULTI-FAMILY RESIDENCE (2–4 UNITS)

*Notes:* Sample consists of all tenants between 20 and 65 years old living in San Francisco as of December 31, 1993 and in multi-family residences with 2–4 units that were built during 1900–1990. The solid line plots the treatment effects for staying at the same address in panel A and staying in San Francisco in panel B along with 90 percent CI in shaded area. The dotted line plots the yearly deviation from the log trend in median rental rates. Standard errors are clustered at the person level.

indicates that the assignment of rent control not only impacts the type of property a tenant chooses to live in, but also their choice of location and neighborhood type.

These figures also illustrate how the time pattern of our effects correlates with rental rates in San Francisco.<sup>13</sup> We would expect our results to be particularly strong in those years with quickly rising rents and thus large potential savings. Along with our yearly estimated effect of rent control, we plot the yearly deviation from the log trend in rental rates against our estimated effect of rent control in that given year. We indeed see that our effects grew quite strongly in the mid- to late-1990s in conjunction with quickly rising rents, relative to trend. Our effects then stabilize and slightly decline in the early 2000s in the wake of the dot-com bubble crash, which led to falling rental rates relative to trend. Overall, we measure a correlation of 49.4 percent between our estimated same address effects and median rents, and a correlation of 78.4 percent between our estimated SF effects and median rents.

In Table 4, we collapse our estimated effects into a short-term 1994–1999 effect, a medium-term 2000–2004 effect, and a long-term post-2005 effect. We find that in the short run, tenants in rent-controlled housing are 2.18 percentage points more likely to remain at the same address. This estimate reflects a 4.03 percent increase relative to the 1994–1999 control group mean of 54.10 percent. In the medium term, rent-controlled tenants are 3.54 percentage points more likely to remain at the same address, reflecting a 19.38 percent increase over the 2000–2004 control group mean of 18.27 percent. Finally, in the long term, rent-controlled tenants are 1.47 percentage points more likely to remain at the same address. This is a 12.95 percent increase over the control group mean of 11.35 percent. Whether these effects should widen

<sup>13</sup> Annual advertised rents from the San Francisco Chronicle and Craigslist have been collected by Eric Fischer (<https://github.com/ericfischer/housing-inventory/>). Since we do not have the microdata, this gives us an aggregate San Francisco-wide annual time series of rents. Given that these data are based on actual listings, this is likely the most accurate measure of true *market* rate rents, among all possible data sources.



TABLE 4—TREATMENT EFFECT FOR TENANTS OF MULTI-FAMILY RESIDENCE (2–4 UNITS)

	In SF (1)	Same address (2)
Treat × period		
1994–1999	0.0200 (0.0081)	0.0218 (0.0083)
2000–2004	0.0451 (0.0115)	0.0354 (0.0088)
Post 2005	0.0366 (0.0109)	0.0147 (0.0063)
Control mean, 1994–1999	0.7641	0.5410
Control mean, 2000–2004	0.5138	0.1827
Control mean, post-2005	0.4346	0.1135
Adjusted $R^2$	0.586	0.608
Observations	1,251,801	1,251,801

*Notes:* Sample consists of all tenants between 20 and 65 years old living in San Francisco as of December 31, 1993 and in multi-family residences with 2–4 units that were built during 1900–1990. Table reports the mean of dependent variables for the control group during 1990–1994, 2000–2004, and post-2005. Standard errors are clustered at the person level.

or narrow over time is ambiguous. On one hand, the wedge between market rate rents and rent control rents diverge, the longer one remains at one's rent-controlled address. On the other hand, the mismatch between one's 1993 address and the ideal location and type of housing is likely to grow over time, pushing tenants to give up their rent control. Since our long-term results are smaller than our medium-term findings, it appears the mismatch effect begins to grow faster than the below market rent effect over the medium to long term.

Tenants who benefit from rent control are 2.00 percentage points more likely to remain in San Francisco in the short-term, 4.51 percentage points more likely in the medium-term, and 3.66 percentage points more likely in the long term. Relative to the control group means, these estimates reflect increases of 2.62 percent, 8.78 percent, and 8.42 percent, respectively. Since these numbers are of the same magnitude as the treatment effects of staying at one's exact 1993 apartment, we find that absent rent control a large share of those incentivized to stay in their apartments would have otherwise moved out of San Francisco. Since most of the tenants "locked" into their apartments by rent control would have otherwise left the city rather than select a different apartment in the same neighborhood, the allocative inefficiency effects of rent control might be smaller than its impacts on preventing displacement.

*Robustness.*—A key identifying assumption for our analysis is that once neighborhood characteristics have been controlled for, as well as the number of years lived in the apartment as of December 31, 1993, those living in older versus newer buildings would not exhibit differential trends in migration. As a robustness test, in panel A of Table 5, we have restricted our treatment group to individuals who lived in structures built between 1960 and 1979, thereby comparing tenants in buildings built slightly before 1979 to tenants in buildings built slightly after 1979. We find statistically indistinguishable results from our main analysis, with point estimates actually 5 percent to 63 percent larger across the six point estimates.

TABLE 5—ROBUSTNESS CHECKS: TREATMENT EFFECT FOR TENANTS OF SMALL MULTI-FAMILY RESIDENCES

	Panel A. Treatment group: buildings built between 1960 and 1979		Panel B. Census tract fixed effects	
	In SF (1)	Same address (2)	In SF (3)	Same address (4)
Treat × period				
1994–1999	0.0326 (0.0105)	0.0289 (0.011)	0.0175 (0.0084)	0.0157 (0.0087)
2000–2004	0.0642 (0.0151)	0.0370 (0.0118)	0.0426 (0.012)	0.0284 (0.0092)
Post-2005	0.0531 (0.0145)	0.0164 (0.0084)	0.0364 (0.0114)	0.0113 (0.0066)
Control mean, 1994–1999	0.7641	0.541	0.7641	0.541
Control mean, 2000–2004	0.5138	0.1827	0.5138	0.1827
Control mean, post-2005	0.4346	0.1135	0.4346	0.1135
Adjusted $R^2$	0.584	0.609	0.588	0.609
Observations	135,594	135,594	1,243,242	1,243,242
	Panel C. Control group lives in buildings with 5–10 units		Panel D. Control group lives in buildings with 2–10 units	
Treat × period				
1994–1999	0.0319 (0.0096)	0.0162 (0.0094)	0.0256 (0.0063)	0.0201 (0.0064)
2000–2004	0.0424 (0.0132)	0.0291 (0.0099)	0.0452 (0.0089)	0.0340 (0.0067)
Post-2005	0.0400 (0.0124)	0.0167 (0.0071)	0.0387 (0.0084)	0.01575 (0.0048)
Control mean, 1994–1999	0.7356	0.541	0.7507	0.541
Control mean, 2000–2004	0.4935	0.178	0.5043	0.1805
Control mean, post-2005	0.4092	0.1064	0.4227	0.1101
Adjusted $R^2$	0.587	0.608	0.587	0.608
Observations	1,246,023	1,246,023	1,296,270	1,296,270

*Notes:* In panel A, we change our tenant sample to all tenants between 20 and 65 years old living in San Francisco as of December 31, 1993 and in multi-family residences with 2–4 units that were built during 1960–1990. Hence, we have restricted our treatment group to individuals who lived in buildings built between 1960 and 1979. In panel B, the sample of tenants is the same as in our baseline regressions. Instead of using zip-code-by-year fixed effects in our baseline regressions, we use census tract by year fixed effects. In panel C, we have changed our control group to individuals who lived in multi-family residences with 5–10 units that were built during 1980–1990. The treatment group is the same as in our baseline regressions. In panel D, we have changed our control group to individuals who lived in multi-family residences with 2–10 units that were built during 1980–1990. The treatment group is the same as in our baseline regressions. Table reports the mean of dependent variables for the control group during 1990–1994, 2000–2004, and post-2005. Standard errors are clustered at the person level.

As further robustness, we redefine the neighborhood more finely, using census tracts instead of zip codes. Panel B of Table 5 repeats the analysis using census tract by year fixed effects. The results are also statistically indistinguishable from our main results, although the point estimates are between 1 percent and 28 percent smaller across the six point estimates. Dropping the zip-code-by-year fixed effects also produces similar results.

As a final robustness check, we use an alternative control group of renters living in larger multi-family apartment buildings not subject to rent control. Specifically, we create a control group of renters living in buildings with between 5 and 10 apartment units built between 1980 and 1990. We exclude large multi-family buildings built prior to 1980 from the control group because they have been covered by rent

control since 1979. Using residents of these slightly larger buildings built in the 1980s should also act as a valid control group if the sorting of tenants to buildings within neighborhoods did not depend on the exact number of units in the buildings. Panel C of Table 5 reports the treatment effect using this alternative control group. The effects are statistically indistinguishable from our main effects. Panel D of Table 5 combines our control groups, creating a larger control group of renters living in buildings with two to ten apartments building in the 1980s. Unsurprisingly, these effects are also statistically indistinguishable from our main estimates, but the standard errors are smaller due to the increased sample size of our control group.

*Treatment Effect Heterogeneity.*—These estimated overall effects mask economically interesting heterogeneity. We begin by repeating our analysis separately within each racial group. Racial minorities may face discrimination in the housing market, indicating that rent control may be especially impactful on limiting their displacement. Figure 5 shows the treatment effects of remaining in one's 1993 address for whites, and then the differential effects for each racial group. Since our sample sizes within any given racial group are smaller, we will focus on the overall "post" impact of rent control, not separating out the short-, medium-, and long-term effects. Whites are 2.1 percentage points more likely to remain at their treated address due to rent control. For both blacks and Hispanics, we find larger treatment effects of 10.7 and 7.1 percentage point increases for these groups, respectively.<sup>14</sup> This suggests these minority groups disproportionately valued rent control. In contrast, the effect for Asians is statistically indistinguishable from the whites effect, with a point estimate of 0.9 percentage points.

We see further evidence that racial minorities disproportionately benefited from rent control when looking at the impact of the law on remaining in San Francisco. Rent control leads treated whites to be 2.8 percentage points more likely to remain in San Francisco, while blacks, Hispanics, and Asians are 10.7, 10.1, and 6.4 percentage points more likely to remain in San Francisco, respectively.<sup>15</sup> This suggests that rent control had a substantial impact on limiting displacement of minorities from the city, an additional sign that rent control strongly benefits the initial cohort of renters who are covered by the law.

We next examine treatment effect heterogeneity across neighborhoods, duration of tenancy, and age.<sup>16</sup> The goal of this exercise is two-fold. First we want to examine whether tenants who have lived in their neighborhoods for a long time disproportionately value rent control, as would be expected if these long-term tenants had built up a stock of neighborhood-specific capital. Second, we want to examine whether the value of rent control varies across tenant age. It is well known that younger individuals move more often. If young people need to move often for personal reasons, it

<sup>14</sup> Since our sample of blacks is quite small, the differential effects for blacks are not statistically indistinguishable from whites.

<sup>15</sup> As a robustness check, we repeat this analysis on the entire sample, including the renters whose probabilities for their most likely imputed race were below 80 percent. These results are in online Appendix Figure A1. The result are statistically indistinguishable from our main results, but the differences in the point estimates across races are smaller. This is consistent with the fact we have much more measurement error in the imputed races for these additional renters.

<sup>16</sup> We do not cut on race here as well, as the samples would become too thin.

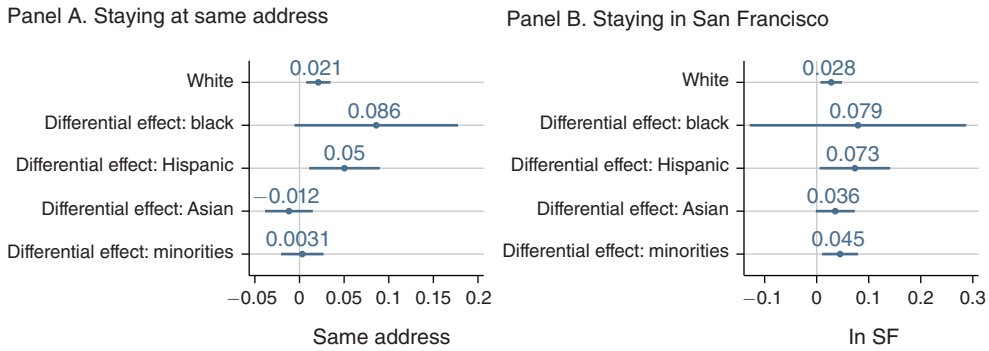


FIGURE 5. HETEROGENEITY BY TENANT'S RACE IN TREATMENT EFFECT FOR TENANTS

*Notes:* Sample consists of all tenants with a classified race/ethnicity between 20 and 65 years old living in San Francisco as of December 31, 1993 and in multi-family residences with 2–4 units that were built during 1900–1990. For white tenants, we report the average treatment effect in the post-1994 period along with 90 percent CI. For the other ethnic categories, we report the differential treatment effect in the post-1994 period between white and each ethnic category along with 90 percent CI. Minorities consist of all ethnic groups other than white. Standard errors are clustered at the person level.

will be hard for them to benefit from rent control since they cannot stay in one place long enough to access the insurance value of rent control.

To examine these effects, we cut the data by age, sorting individuals into two groups, a young group who were aged 20–39 in 1993 and an old group who were aged 40–65 in 1993. We also sort the data based on the number of years the individual has been living at their 1993 address. We create a “short-tenure” group of individuals who had been living at their address for less than four years and a “long-tenure” group of individuals who had been living at their address for between 4 and 14 years. Finally, we cut the sample of zip codes based on whether their housing price appreciation from 1990 to 2000 was above or below the median, as measured by the housing transactions observed in DataQuick. Ideally, we would measure market rental price appreciation across neighborhoods, but no data source for this exists. While rents and house prices need not be perfectly correlated, house prices and market rents tend to move together. We form eight subsamples by taking the  $2 \times 2 \times 2$  cross across each of these three dimensions and re-estimate our effects for each subsample.

The results are reported in Table 6 and plotted in online Appendix Figures A2 and A3. We summarize the key implications. First, we find that the effects are weaker for younger individuals. We believe this is intuitive. Younger households are more likely to face larger idiosyncratic shocks to their neighborhood and housing preferences (such as changes in family structure and employment opportunities), which makes staying in their current location particularly costly, relative to the types of shocks older households receive. Thus, younger households may feel more inclined to give up the benefits afforded by rent control to secure housing more appropriate for their circumstances.

Moreover, among older individuals, there is a large gap between the estimated effects based on tenure duration. Older, long-tenure households have a strong, positive response to rent control. That is, they are more likely to remain at their 1993

TABLE 6—HETEROGENEITY BY AGE, TENURE, AND NEIGHBORHOOD HOUSE PRICE APPRECIATION IN TREATMENT EFFECT OF STAYING AT SAME ADDRESS

	Older tenants		Younger tenants	
	(1)	(2)	(3)	(4)
<i>Panel A. Above-median house price appreciation zip codes</i>				
Treat × post	0.062 (0.019)	-0.107 (0.042)	0.018 (0.012)	-0.003 (0.032)
Tenant tenure duration	Long	Short	Long	Short
<i>Panel B. Below-median house price appreciation zip codes</i>				
Treat × post	0.041 (0.015)	0.010 (0.033)	0.007 (0.009)	0.039 (0.018)
Tenant tenure duration	Long	Short	Long	Short

Notes: Sample consists of all tenants between 20 and 65 years old living in San Francisco as of December 31, 1993 and in multi-family residences with 2–4 units that were built during 1900–1990. We first divide individuals into two groups by whether their 1993 zip code experienced above- or below-median house price appreciation during 1990–2000. We further sort the sample by age group. The young group refers to residents who were aged 20–39 in 1993 and the old group are residents who were aged 40–65 in 1993. Finally, we cut the data by number of years the individual has been living at their 1993 address. We define a *long-tenure* group of individuals who had been living at their 1993 address for greater than or equal to four years and a *short-tenure* group of individuals who had been living at their address for less than four years. The coefficients represent average treatment effects in the post-1994 period. Standard errors are clustered at the person level. See online Appendix Figures A2 and A3 that plot the full dynamics of these treatment effects.

address relative to the control group. In contrast, older, short-tenure individuals are estimated to have a weaker response to rent control. They are less likely to remain at their 1993 address relative to the control group.

To further explore the mechanism behind this result, we now investigate these effects based on the 1990–2000 price appreciation of their 1993 zip codes. Among older, long-tenure individuals, we find that the effects are always positive and strongest in those areas which experienced the most price appreciation between 1990 and 2000, as one might expect. For older, short-tenure households, however, the results are quite different. For this subgroup, the effects are actually *negative* in the areas which experienced the *highest* price appreciation. They are positive in the areas which experienced below-median price appreciation.<sup>17</sup>

This result suggests that landlords actively try to remove tenants in those areas where rent control affords the most benefits, i.e., high price appreciation areas. There are a few ways a landlord could accomplish this. First, landlords could try to legally evict their tenants by, for example, moving into the properties themselves, known as owner move-in eviction. Alternatively, landlords could evict tenants according to the provisions of the Ellis Act, which allows evictions when an owner wants to remove units from the rental market: for instance, in order to convert the units into condos or a tenancy in common.<sup>18</sup> Finally, landlords are legally allowed to negotiate with tenants over a monetary transfer convincing them to leave. In this way, tenants may “bring their rent control with them” in the form of a lump sum tenant buyout. Of

<sup>17</sup> A similar pattern holds for younger individuals as well, although the results are weaker.

<sup>18</sup> Asquith (2018) studies the use of Ellis Act evictions in the 2000s by landlords of rent-controlled properties in San Francisco.

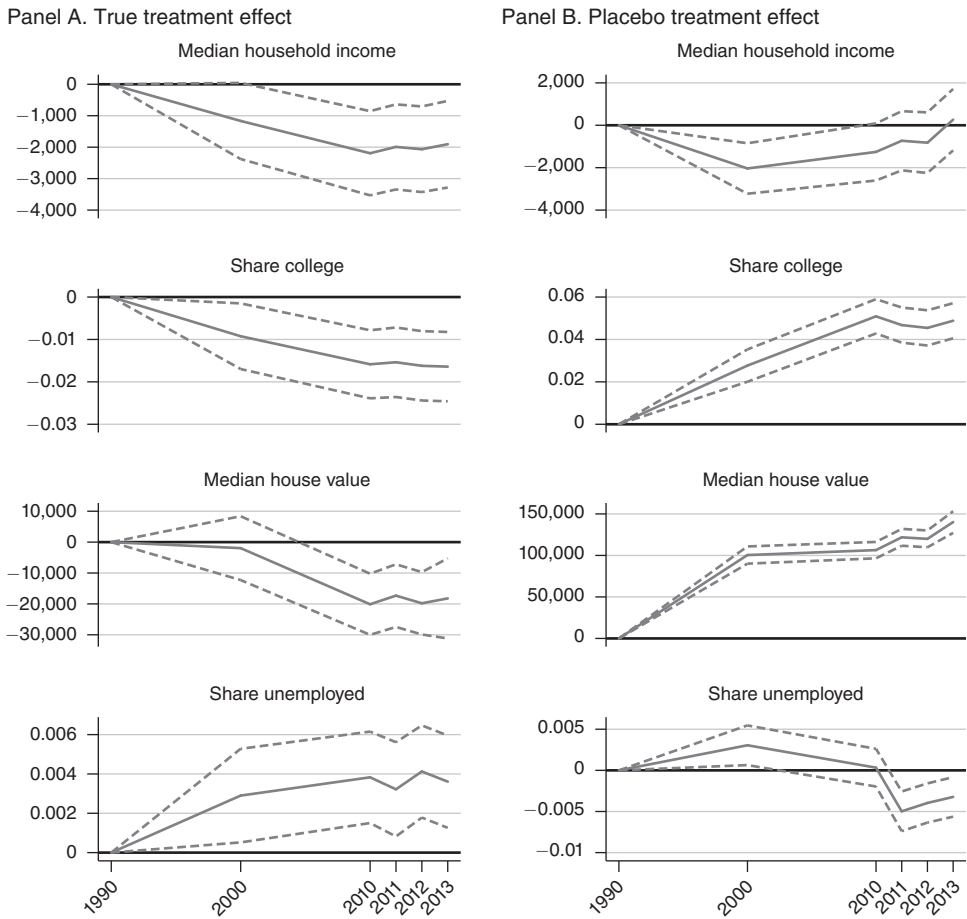


FIGURE 6. TREATMENT EFFECT ON NEIGHBORHOOD QUALITY FOR TENANTS OF MULTI-FAMILY RESIDENCE (2–4 UNITS)

*Notes:* Sample consists of all tenants between 20 and 65 years old living in San Francisco as of December 31, 1993 and in multi-family residences with 2–4 units that were built during 1900–1990. Median household income, share of residents with college education and above, median house value, and share of unemployed are measured in the census tract that an individual is living in a given year. The data sources are decennial censuses in 1990 and 2000, as well as 5-year pooled ACS for 2010 to 2013. Panel A plots the true treatment effects for various proxies of neighborhood quality. Panel B plots the placebo treatment effects where we assume those treated by rent control remain at their 1993 addresses, but allow the control group to migrate as seen in the data. The treatment effects along with 90 percent CI are plotted. Standard errors are clustered at the person level.

course, if landlords predominantly use evictions, tenants are not compensated for their loss of rent protection, weakening the insurance value of rent control.

*Effects on Neighborhood Quality.*—The results from the previous subsection help to rationalize some additional, final findings. In panel A of Figure 6, we examine the impact that rent control has on the types of neighborhoods in which tenants live. We find that those who received rent control ultimately live in census tracts with lower house prices, lower median incomes, lower college shares, and higher unemployment rates than the control group. As panel B shows, this is not a function of the areas in which treated individuals lived in 1993. In this figure, we fix

the location of those treated by rent control at their 1993 locations, but allow the control group to migrate as seen in the data. If rent-controlled renters were equally likely to remain in their 1993 apartments across all locations in San Francisco, we would see the sign of the treatment effects on each neighborhood characteristic to be the same as in the previous regression. Instead, we find strong evidence that the out-migration of rent-controlled tenants came from very selected neighborhoods. Had treated individuals remained in their 1993 addresses, they would have lived in census tracts which had significantly higher college shares, higher house prices, lower unemployment rates, and similar levels of household median income relative to the control group.

This evidence is consistent with the idea that landlords undertake efforts to remove their tenants or convince them to leave in improving, gentrifying areas. In addition, the rent control tenants are more likely to remain at their address within the less gentrifying areas, as we saw in the previous analysis in Table 6. These combined effects lead tenants treated by rent control to live in lower quality areas. Further, it highlights that rent control does not appear to be an effective means of providing tenants access to neighborhoods with better amenities. The better locales are where landlords have the most to gain from removing rent-controlled tenants and these landlords apparently work hard to make this happen. Having said that, our prior results did show that rent control helped tenants remain in San Francisco overall. Thus, while they are unable to live in the nicest parts of the city, it is possible that by being able to remain in San Francisco, they are able to enjoy lower commute times or work at better jobs than they otherwise would have had they been displaced. These types of amenities cannot be observed in our data.

### B. *Parcel and Landlord Effects*

The results above strongly suggest that while tenants value and take advantage of the protections offered by rent control, landlords actively take steps to reduce the burdens of the law, especially in those areas in which it would be most profitable to do. Motivated by these findings, in this section, we continue our analysis by studying and quantifying the landlord response more directly. To do so, we examine the impact of rent control on the properties themselves. In particular, we study how rent control affects the type of residents who live in the buildings, as well as how it impacts the investments that landlords choose to make in the properties. This analysis will enable us to understand the effects of rent control on long-term rental housing supply. Such changes in housing supply will ultimately impact equilibrium market rents and thus housing affordability for future renters.

Summary statistics for our key outcomes are in panel B of Table 1. This table shows that treatment and control properties are balanced in the pre-period in terms of total residents and number of renter residents. We see 1.2 percentage points more owners in the control group and 1.6 percentage points more construction/renovation permits. These small differences reflect that fact that the control buildings are slightly newer.

We run a specification similar to (1):

$$(2) \quad Y_{kzt} = \delta_{zt} + \lambda_k + \beta_t T_k + \epsilon_{kt}$$



where  $k$  now denotes the individual parcel and  $\lambda_k$  represent parcel fixed effects. The variable  $T_k$  denotes treatment, equal to one if, on December 31, 1993, the parcel is a multi-family building with less than or equal to four units built between the years 1900 and 1979. The  $\delta_{zt}$  variables once again reflect zip-code-by-year fixed effects. Our outcome variables  $Y_{kzt}$  now include the number of renters and owners living in the building, the number of renovation permits associated with the building, and whether the building is ever converted to a condo or TIC. The permits we look at specifically are addition/alteration permits, taken out when major work is done to a property.

We begin by plotting in panel A of Figure 7 the effects of rent control on the number of individuals living at a given parcel, calculated as a percentage of the average number of individuals living at that parcel between the years 1990–1994. We estimate a decline of approximately 6.4 percent over the long run, although this effect is not statistically significant.

We next decompose this effect into the impact on the number of renters and the number of owners living at the treated buildings. As shown in panel B, we find that there is a significant decline in the number of renters living at a parcel, equal to 14.5 percent in the late 2000s, relative to the 1990–1994 level. Panel C shows that the decline in renters was counterbalanced by an increase of 8.1 percent in the number of owners in the late 2000s. This is our first evidence suggestive of the idea that landlords redeveloped or converted their properties so as to exempt them from the new rent control regulations.

We now look more closely at the decline in renters. In panel A of Figure 8, we see that there is an eventual decline of 24.6 percent in the number of renters living in rent-controlled apartments, relative to the 1990–1994 average.<sup>19</sup> This decline is significantly larger than the overall decline in renters. This is because a number of buildings which were subject to rent control status in 1994 were redeveloped in such way so as to no longer be subject to it. These redevelopment activities include tearing down the existing structure and putting up new single family, condominium, or multi-family housing or simply converting the existing structure to condos. These redeveloped buildings replaced 7.2 percent of the initial rental housing stock treated by rent control, as shown in panel B of Figure 8.

To further investigate this mechanism, we check directly whether a multi-family property which fell under the rent control regulations in 1994 is more likely to have converted to condominium housing or a tenancy in common, relative to a multi-family property which did become subject to rent control. In panel C of Figure 8, we show that treated buildings are 8 percentage points likely to convert to condo or TIC in response to the rent control law. This represents a significant loss in the supply of rent-controlled housing.

As a final test of whether landlords actively respond to the imposition of rent control, we examine whether the landlords of rent-controlled properties disproportionately take out addition/alteration (i.e., renovation) permits. We find this to strongly be the case, with treated buildings receiving 4.6 percent more addition/alteration permits per unit as shown in panel D of Figure 8. Of course, conversions

<sup>19</sup>Note here that we mean relative to the number of individuals who lived at parcels which received rent control status due to the 1994 law change.



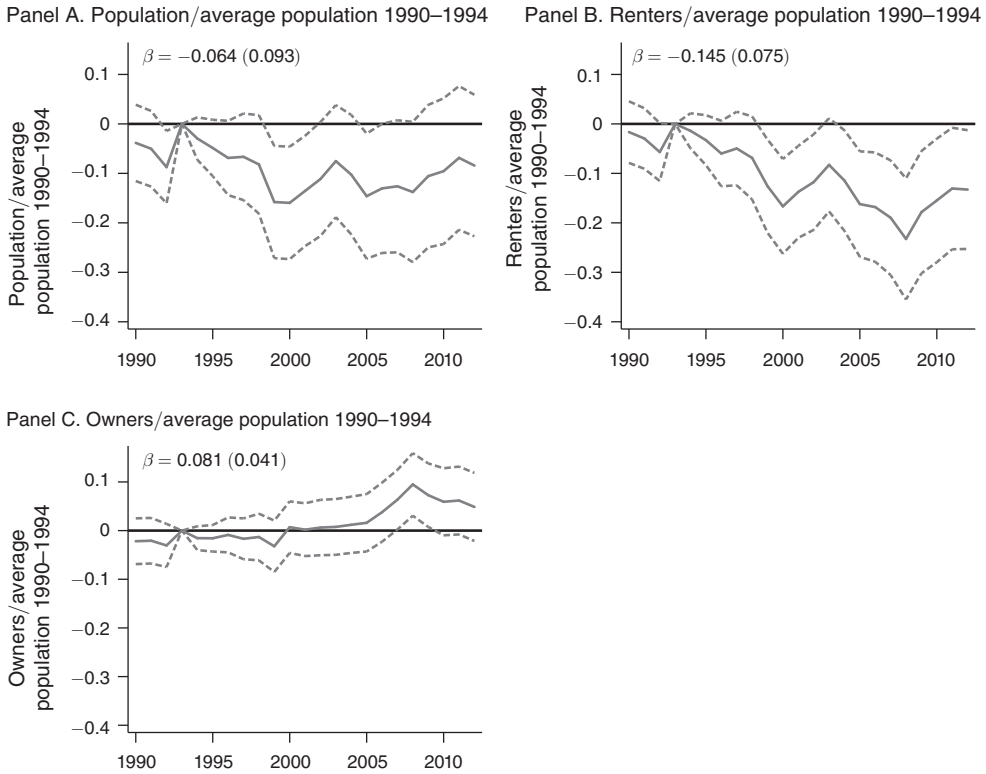


FIGURE 7. TREATMENT EFFECT FOR MULTI-FAMILY RESIDENCE (2–4 UNITS)

*Notes:* Sample consists of all multi-family residences with 2–4 units in San Francisco that were built during 1900–1990. The treatment effects along with 90 percent CI are plotted. Standard errors are clustered at the parcel level. The average treatment effects in the post-2006 period and their standard errors are reported in the upper-left corner.

of multi-family housing to condos undoubtedly require significant alteration to the structural properties of the building and thus would require such a permit to be taken out. These results are thus consistent with our results regarding condo conversion.

*Treatment Effect Heterogeneity.*—We now explore the heterogeneity in these effects between high and low house price appreciation zip codes. This analysis is motivated by our previous tenant regressions in which we found that landlords of rent-controlled buildings appear to have actively removed tenants in high appreciation zip codes. Here, we investigate whether landlords of rent-controlled apartments also disproportionately converted to condo or redeveloped buildings in high appreciation areas. Table 7 reports the average treatment effects within high and low appreciation zip codes. We find a 21 percent decline in the renter population and a 12 percent increase in the owner population within the high appreciation zip codes, versus a 11 percent renter decline and 6 percent owner increase in low appreciation areas. Further, we find condo conversions increase by 10 percent in high appreciation zip codes versus 5.8 percent in low appreciation areas. The conversion to owner-occupied housing may be especially lucrative in these high appreciation zip

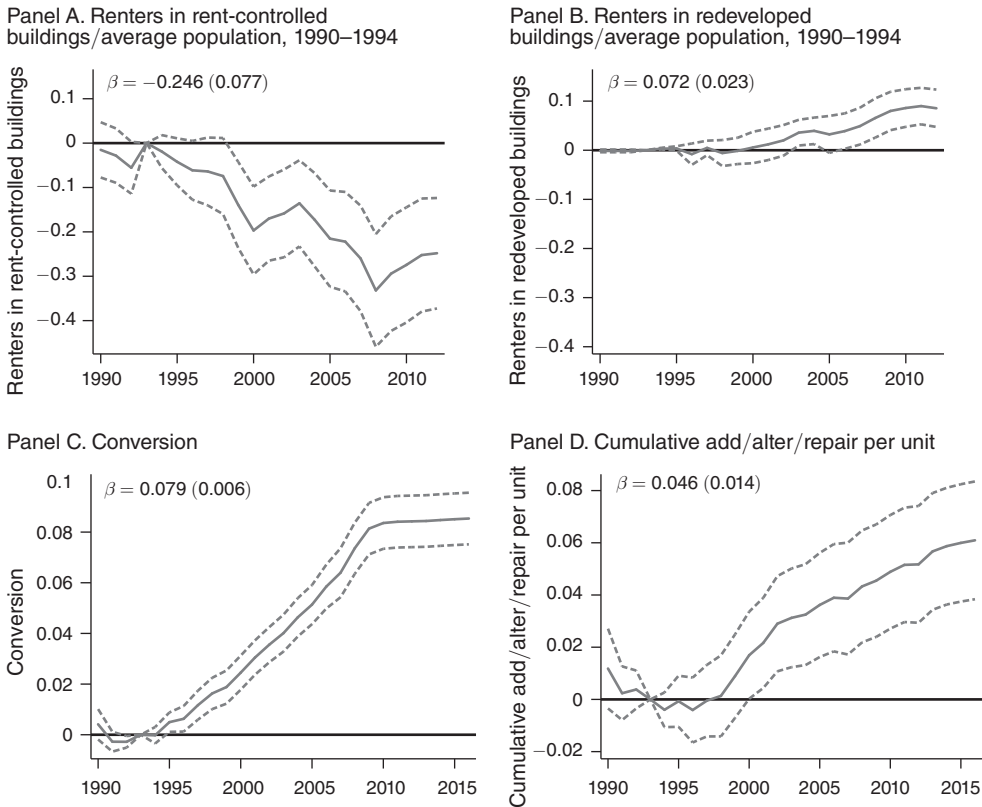


FIGURE 8. TREATMENT EFFECT FOR MULTI-FAMILY RESIDENCE (2–4 UNITS)

*Notes:* Sample consists of all multi-family residences with 2–4 units in San Francisco that were built during 1900–1990. The treatment effects along with 90 percent CI are plotted. Standard errors are clustered at the parcel level. The average treatment effects in the post-2006 period and their standard errors are reported in the upper-left corner.

codes as they likely have higher income residents. In contrast, we find a larger effect (9.3 percent versus 3.2 percent) of properties being knocked down and rebuilt in low appreciation areas than high priced areas. This effect is possibly driven by land use regulations making it very hard to build new construction in high-end areas of San Francisco.<sup>20</sup> Overall, these effects reaffirm that the landlords remove rental housing stock in those areas where it is most profitable to do so.

*Gentrification Effects.*—The previous section shows that rent control incentivized landlords to substitute away from an older rental housing stock toward new construction rentals and owner-occupied condos. Combining our estimates of rent control’s effect on the number of owner occupants (8.1 percent) and renters living in rent control exempt housing (7.2 percent) suggests that 15.3 percent of the treated properties engaged in renovations to evade rent control. Since these types of

<sup>20</sup>Most new construction in San Francisco has occurred in neighborhoods that historically were dominated by industry and warehouses.

TABLE 7—TREATMENT EFFECT HETEROGENEITY FOR MULTI-FAMILY PARCELS  
BY HOUSE PRICE APPRECIATION

	High appreciation (1)	Low appreciation (2)
Population/average population 1990–1994	−0.092 (0.176)	−0.050 (0.108)
Renters/average population 1990–1994	−0.207 (0.144)	−0.112 (0.085)
Renters in rent-controlled buildings/average population 1990–1994	−0.284 (0.148)	−0.225 (0.088)
Renters in redeveloped buildings/average population 1990–1994	0.032 (0.058)	0.093 (0.016)
Owners/average population 1990–1994	0.116 (0.066)	0.063 (0.052)
Conversion	0.100 (0.011)	0.058 (0.006)
Cumulative Add/alter/repair per unit	0.016 (0.03)	0.061 (0.015)

*Notes:* Sample consists of all multi-family residences with 2–4 units in San Francisco that were built during 1900–1990. We divide tenants into two groups by whether their 1993 zip code experienced above- or below-median house price appreciation during 1990–2000. Columns 1 and 2 report the average treatment effects for various parcel level outcomes in the post-2006 period for residences in the high and low appreciation areas, respectively. Standard errors in parentheses are clustered at the parcel level.

renovations create housing that likely caters to high income tastes, rent control may have fueled the gentrification of San Francisco. To assess this, we compare the 2015 residents living in properties treated by rent control to those living in the control buildings in 2015. While we do not have data directly on the income levels of the 2015 residents of these properties, we can use the historical neighborhood choices of these tenants as a proxy for their income. Intuitively, if residents of treated buildings used to live in high-end neighborhoods, while residents of control buildings used to live in low-end neighborhoods, we can infer that the residents of treated buildings are likely to be higher income. Specifically, we take all residents in the treatment and control buildings as of 2015. We then look at their addresses as of 2010, five years prior. We geocode these 2010 addresses to census block groups and measure the block group per capita income of their 2010 address, from the ACS.

We find that properties treated by rent control have tenants who came from neighborhoods with \$1,292 higher per capita incomes (standard error of 522), representing a 2.8 percent increase, relative to residents of control group buildings located in the same zip code.<sup>21</sup> This 2.8 percent increase represents the average income increase across *all* properties treated by rent control. Since only 15.3 percent of these properties upgraded their housing stock, we would expect these high income residents to only be drawn into this 15.3 percent. Indeed, the other 85 percent of the treated housing stock that did not renovate may have lower income residents due to the direct effect of rent control on tenant mobility. To construct a lower bound estimate of the effect of rent control on gentrification, we will assume that residents of

<sup>21</sup> The full regression details are reported in online Appendix Table A3.

the non-renovated housing stock have incomes similar to that of the control group. Under this assumption, our estimate of a 2.8 percent increase in residents' incomes suggests that the renovated buildings attracted residents with *at least* 18 percent ( $2.8/0.153$ ) higher incomes than residents of control group buildings in the same zip code. In this way, rent control appears to have brought higher income residents into San Francisco, fueling gentrification.

### C. Impacts on Inequality

Taking our results all together, it appears rent control has substantively different impacts on income inequality in the short versus long run. In the short run, rent control prevents displacement of the initial 1994 tenants from San Francisco, especially among racial minorities. To the extent that these 1994 tenants are of lower income than those moving into San Francisco over the following years, rent control increases income inequality. However, this short-term effect decays over time. Eight years after the law change, 4.5 percent of the tenants treated by rent control were able to remain in San Francisco because of rent control. However, five years later, this effect had decayed to 3.7 percent, and will likely continue to decline in the future.

In the long run, on the other hand, landlords are able to respond to the rent control policy change by substituting toward types of housing exempt from rent control price caps, upgrading the housing stock, and lowering the supply of rent-controlled housing. Indeed, the prior section showed that as of 2015, the average property treated by rent control has *higher income* residents than similar market rate properties. The long-term landlord response thus offsets rent control's initial effect of keeping lower income tenants in the city by replacing them with residents of above-average income. In this way, rent control works to increase income inequality in both the short run and in the long run, but through different means. Rent control's short-term effects increases the left tail of the income distribution, while the long-term effects increase the right tail.

In addition to widening income inequality, rent control has unequal effects on tenants living in San Francisco at the time of the law change and future tenants of the city. Incumbent tenants already living in San Francisco who get access to rent control as part of the law change are clearly made better off as indicated by their preference to remain in their rent-controlled apartment. However, this comes at the expense of future renters in San Francisco, who must bear higher rents due to the endogenous reductions in rental supply. In this way, the law served as a transfer from future renters in the city to renters in 1994, creating economic well-being inequality between incumbent and future renters of San Francisco. Our companion paper (Diamond, McQuade, and Qian 2018) performs a fully quantitative analysis of these welfare gains and losses through the lens of a dynamic discrete choice model of tenant migration and performs general equilibrium counterfactual analyses.

Since incumbent renters are made better off, it is not surprising that popular votes to expand rent control often pass in cities with high renter populations. The beneficiaries are the ones who are able to vote, while future renters who pay the costs of rent control do not get a say in these elections. Local popular votes thus appear to be an inefficient way to set rent control policies.

#### IV. Conclusion

In this paper, we have studied the impact of rent control on its tenant beneficiaries as well as the landlord response. To answer this question, we exploit a unique rent control expansion in San Francisco in 1994 that suddenly provided rent control protections for small multi-family housing built prior to 1980. By combining new panel microdata on individual migration decisions with detailed assessor data on individual parcels in San Francisco, we get quasi-experimental variation in the assignment of rent control at both the individual tenant level and at the parcel level.

We find that, on average, in the medium to long term the beneficiaries of rent control are between 10 and 20 percent more likely to remain at their 1994 address relative to the control group and, moreover, are more likely to remain in San Francisco. Further, we find the effects of rent control on tenants are stronger for racial minorities, suggesting rent control helped prevent minority displacement from San Francisco. All our estimated effects are significantly stronger among older households and among households that have already spent a number of years at their current address. On the other hand, individuals in areas with quickly rising house prices and with few years at their 1994 address are less likely to remain at their current address, consistent with the idea that landlords try to remove tenants when the reward is high, through either eviction or negotiated payments.

We find that landlords actively respond to the imposition of rent control by converting their properties to condos and TICs or by redeveloping the building in such a way as to exempt it from the regulations. In sum, we find that impacted landlords reduced the supply of available rental housing by 15 percent. Further, we find that there was a 25 percent decline in the number of renters living in units protected by rent control, as many buildings were converted to new construction or condos that are exempt from rent control.

This reduction in rental supply likely increased rents in the long run, leading to a transfer between future San Francisco renters and renters living in San Francisco in 1994. In addition, the conversion of existing rental properties to higher-end, owner-occupied condominium housing ultimately led to a housing stock increasingly directed toward higher income individuals. In this way, rent control contributed to the gentrification of San Francisco, contrary to the stated policy goal. Rent control appears to have increased income inequality in the city by both limiting displacement of minorities and attracting higher income residents.

These results highlight that forcing landlords to provide insurance against rent increases can ultimately be counterproductive. If society desires to provide social insurance against rent increases, it may be less distortionary to offer this subsidy in the form of government subsidies or tax credits. This would remove landlords' incentives to decrease the housing supply and could provide households with the insurance they desire. A point of future research would be to design an optimal social insurance program to insure renters against large rent increases.

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March 26, 2024

Salinas Housing and Land Use Committee  
200 Lincoln Avenue  
Salinas, CA, 93901

Dear Members of the Salinas Housing and Land Use Committee,

I write to you today to address an issue that deeply concerns our community: the affordability and accessibility of housing for renters in Salinas. As a renter who is rent-burdened, I understand the hardships faced by many renters in our community, and my heart goes out to those struggling with these issues.

There is no doubt that action must be taken to alleviate the burden on renters and ensure that everyone has access to safe and affordable housing. However, I must express my concern regarding the potential consequences of implementing rent stabilization measures stricter than those already in place at the state level in California. While the intention behind such regulations is noble, historic evidence and economic data suggest that they will lead to unintended consequences that ultimately harm the very renters they aim to protect.

One of the most significant risks linked to overly strict rent stabilization is the potential to drive property owners out of the rental housing business altogether. Dr. Rebecca Diamond et al. (American Economic Review) studied San Francisco rent stabilization impacts and conclude it resulted in a 15% reduction in available rental housing. When property owners face stringent regulations that limit or complicate their ability to cover expenses and make a reasonable profit, many choose to sell their properties and exit the rental market. While space is left blanks for a capital improvements section in the draft ordinance, which would aim to address this issue, the problem remains that the owner would be required to go through additional steps to be approved for this and is less likely to put up with this added burden. The reduction in available rental units leads to increased competition among renters, ultimately driving rents even higher in the long term.

In the peer reviewed Housing Policy Debate (2022) Dr. Max Gardner's analysis of housing data from the City of San Francisco concludes "rent control status (i.e., living in a rent-controlled unit) increases the likelihood of eviction by approximately 240% per year." Instead of pursuing rent stabilization measures that have adverse effects, I urge the City of Salinas to consider alternative solutions that have proven to be effective in addressing housing affordability and reducing evictions. One such solution is the implementation of a renters assistance program, similar to the program presently being developed by the City of Monterey.

Monterey's renters assistance program will provide financial support to renters in need, helping them afford their housing costs and reducing the likelihood of evictions. By focusing on providing targeted assistance to those facing financial hardships, rather than imposing blanket regulations on all rental properties, the City of Salinas can achieve meaningful aid to those who need it most without worsening the long term availability and affordability of housing.

In conclusion, I respectfully urge the Salinas Housing and Land Use Committee to prioritize the exploration and implementation of a renters assistance program as a more effective and sustainable approach to supporting renters and improving housing affordability in our community. I also urge the City of Salinas to host more public hearing and town hall events, so the thousands of stakeholders affected by these issues have ample opportunities to be heard and to develop community buy-in for policy solutions rather than passing them without such steps of due diligence.

On behalf of the over 1,400 real estate professionals in Monterey County, thank you for providing us with the opportunity to weigh in on this important matter. We want everyone to have a safe and affordable place to live. I am available to discuss these ideas further and provide any additional information or insights that may be helpful to your deliberations.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Pinterits", written in a cursive style.

Adam Pinterits

Government and Community Affairs Director  
Monterey County Association of REALTORS®

## Citations

Rebecca Diamond, Tim McQuade, and Franklin Qian, The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco, *American Economic Review* (2019), p. 2 (accessed May 15, 2023). <https://doi.org/10.1257/aer.20181289>

Dr. Max Gardner et al., The Effect of Rent Control Status on Eviction Filing Rates: Causal Evidence From San Francisco, *Housing Policy Debate* (2022), p. 1 (accessed Mar. 25, 2024). <https://www.tandfonline.com/doi/full/10.1080/10511482.2022.2099932?scroll=top&needAccess=true#>



**From:** [Tyler Crane](#)  
**To:** [andrews@ci.salinas.ca.us](mailto:andrews@ci.salinas.ca.us); [anthonyr@ci.salinas.ca.us](mailto:anthonyr@ci.salinas.ca.us); [tonyb@ci.salinas.ca.us](mailto:tonyb@ci.salinas.ca.us); [orlandoo@ci.salinas.ca.us](mailto:orlandoo@ci.salinas.ca.us); [chrisc@ci.salinas.ca.us](mailto:chrisc@ci.salinas.ca.us); [kimbleyc@ci.salinas.ca.us](mailto:kimbleyc@ci.salinas.ca.us); [steveca@ci.salinas.ca.us](mailto:steveca@ci.salinas.ca.us); [lisab@ci.salinas.ca.us](mailto:lisab@ci.salinas.ca.us)  
**Subject:** No on Rent Stabilization Ordinance  
**Date:** Friday, May 3, 2024 11:00:35 AM

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**CAUTION:** This message originated outside of the City of Salinas email system. Do not click on links or open attachments unless you are sure the content is safe.

I am reaching out to you regarding the Rent Stabilization Ordinance currently under consideration by the City of Salinas. This ordinance proposes significant changes that could have detrimental effects on landlords and the housing market as a whole. As such, tenants will also be adversely affected. While rent control appears to help tenants in the short term, in the long term it decreases affordability, fuels gentrification, and creates negative affects on surrounding neighborhoods. Below I have listed 5 potential negatives effects which will impact the Tenant, Owner, & the City of Salinas. As a current owner of a single family home in south Salinas, our rent is below market value. Any further controls and regulations will only increase the burden associated with Ownership and will only lead to an increase in rental fees.

1. Decrease in housing stock due to landlords' inability to navigate new regulations or afford housing provision.
2. Annual rental increases burdening tenants.
3. Lack of understanding regarding the high costs of property maintenance.
4. Challenges in recovering funds from tenants who damage property.
5. Potential for a housing crisis similar to that experienced by other cities.

I firmly oppose the Rent Stabilization Ordinance which is being proposed. I will be attending the City Council meeting to voice my concerns. It will be interesting to see how the City Council members decide to vote on this issue.

Tyler Crane  
232 Oak St.  
Salinas, Ca.



Dear Guillermo,

We are writing to invite you to a crucial meeting on Monday, May 20th, at 6:00 PM at the Salinas Police Activities League located at 100 Howard Street, Salinas, CA 93901. We plan to discuss the issues we have been facing since the implementation of rent control and the City of Salinas' plans to introduce additional rent control measures.

This meeting is an opportunity for all tenants to voice their concerns and share their experiences regarding the current rent control policy. We also want to discuss the potential implications of the proposed expansion of these regulations.

Our primary concerns with the proposed additional rent control measures include:

1. **Loss in Housing Availability:** Stricter rent control can lead to a decrease in the number of available rental units, as property owners may find it unfeasible to continue offering rental properties.
2. **Challenges in Affording Basic Repairs:** With capped rent increases, landlords may struggle to afford necessary maintenance and repairs, potentially leading to a decline in the quality of our living conditions.
3. **Deterrence for Investors:** The introduction of more stringent rent control policies can deter investors from building new housing in our area, exacerbating the already existing housing shortage.
4. **Guaranteed Rent Increases:** With more government control, landlords might be forced to implement annual rent increases to keep up with market rates and rising costs, which can be a financial burden on tenants. (Which I know you all have already faced since rent control has been implemented).

We believe that your insights and experiences are invaluable in this discussion, and we are committed to finding balanced solutions that address both tenant and landlord concerns.

Please join us for this important conversation. If you have any specific issues or questions you'd like to discuss, feel free to email them in advance, and we will make sure to address them during the meeting.

Thank you for your time and cooperation. We look forward to seeing you on Monday and working together to ensure our community remains a great place to live.

Best regards,

Audrey Wardwell  
36 North Properties  
Broker Owner



**From:** [Tony Brigantino](mailto:Tony.Brigantino@ci.salinas.ca.us)  
**To:** [PublicComment@ci.salinas.ca.us](mailto:PublicComment@ci.salinas.ca.us)  
**Subject:** Proposed Rent Stabilization and Tenant Protection Ordinance  
**Date:** Tuesday, April 30, 2024 3:05:40 PM

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**CAUTION:** This message originated outside of the City of Salinas email system. Do not click on links or open attachments unless you are sure the content is safe.

I am writing this letter out of concern for property owners in Salinas. Having been self employed for most of my 40 year career, I am not part of a company or public pension system. Instead, I have made various investments throughout my career in order to basically create my own pension for retirement. I have long touted the benefits of investing in Salinas and I am very concerned about the impacts the proposed RSTPO might have on all real estate values in Salinas, not just the values of rental properties.

Statistics I obtained on Data USA indicate 47% of the housing units in Salinas were owner occupied. Considering that many of the rental units in Salinas are multi-family, there could be a larger impact on the value of owner occupied units than has been discussed.

I realize the city council has determined that this ordinance need not applicable to CEQA consideration and I assume the city is correct on this determination. However; I believe that since this ordinance will directly impact nearly 50% of the homes in Salinas, some kind of detailed impact studies should be performed. I request the city employ an independent expert to study this proposal and answer some basic questions about its impacts on the rental market as well as owner occupied homes. This report should be available for public review and comment.

Some basic questions I might have are:

1. How much will it cost the city to implement and manage this program annually?
2. What will be the impact (supply/demand/price) on rental units in Salinas?
3. What will be the impact (supply/demand/price) on owner occupied residential properties in Salinas?
4. What will be the impacts on existing rental owners?
5. What will be the impact on rents when the thousands of new rental units which are currently planned for north/east Salinas are completed?

I believe the public should be more informed regarding the impacts of this proposed ordinance. I also believe the city should consider the impacts of commuters on rentals in Salinas. Roadways between Salinas and Monterey, and Salinas to the Silicon Valley are congested because of workers living in Salinas for the lower rents, and working in these higher paying markets. Should the owners of rental properties in Salinas be responsible for subsidizing the housing requirements of the Monterey Peninsula and the Silicon Valley for goodness sakes? I think not.

I also believe that, in all fairness, there should be provisions in the ordinance to protect property owners when rents are not paid and damages to rental units are caused by tenants.

Sincerely,

***R. Anthony "Tony" Brigantino, MAI***

Brigantino & Davis, Real Estate Appraisal, Brokerage, and Consulting  
18921 Portola Drive, Suite F, Salinas, CA 93908

Phone 831-455-1070

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**From:** [Debbie Vollstedt](#)  
**To:** [Christopher Callihan](#)  
**Subject:** Proposed Rent Stabilization Ordinance  
**Date:** Sunday, August 11, 2024 10:26:03 PM  
**Attachments:** [We are a family of five sisters\\_Edit.pdf](#)

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Dear Mr. Callihan

Please find below our letter regarding the Proposed Rent Stabilization Ordinance.

Thank you,

Debbie D. Vollstedt

I attended the meeting on August 1, 2024 regarding the proposed rent stabilization ordinance and I have some questions. I have only had time to review the Rental Ordinance and power point presentation but because of your time deadline that you stated at the meeting, I thought I should get this off to you as soon as possible.

1. Why were the landlords not notified that rent control meetings have been happening? Is that even legal? We have signed up for the rental registry with our email addresses, so why has there not been a mass notice sent out? Considering that we have to pay for this registry it seems that we should have been notified. It feels like the landlords have been kept in the dark during this process.
2. The power point presentation states on page 2 that "The following residential units are EXEMPT: Single-family, condominium, Multifamily dwelling built after 2/1/95 and Newly constructed dwellings." I do not see where it states that in the actual ordinance. What if the front units were built before 1995 and an ADU has been constructed in the back, how is it determined if all or part of the units are exempt? It needs to be stated clearly and not left up to interpretation.
3. Page 2 of power point-Could you explain what the following means? "Remodeled residential units converted from space long dedicated to residential"
4. Page 3 of power point- Regarding the initiative on the Nov 2024 ballot – If the exempt units in question 2 above are not clearly stated in the ordinance, then if the ballot passes does that mean it will apply to all rentals. For instance, Single family residences are then subject to rent control?
5. Page 3 of power point- Regarding the initiative on the Nov 2024 ballot- Where on the ordinance does it clearly state that after a vacancy, the units can be brought back up to a market rate?
6. Page 23 of power point – If Salinas chooses "minimum enforcement" that would mean that we hire 3.2 staff for a total of \$621,404. That means each staff member will be making almost \$200,000. I heard many people from the renters association shouting at the meeting that the landlords are "greedy", I wonder if they realized that the new staff salaries will be \$200,000.
7. It is sad that EPS had to bring "race" into their PowerPoint presentation multiple times. Salinas is a mixed culture with people of all races being renters, landlords and home owners. It shouldn't have been part of the presentation. We are trying to solve sky rocketing rents, which should be unrelated to the color of your skin, not create more division.
8. Why did EPS change their original suggestion of "2.5% to 3%" to "2.5% to 2.75%"?
9. If I sell my property-does the new owner inherit the current tenants at the current rents? Assuming that they do, if I have kept my rents low I will be penalized because my property value is diminished.
10. Will our property taxes go down since our values are considered devalued? (EPS PPT page 5)
11. According to the online US Inflation Calculator, the current rate of inflation is 3%, last year was 3.4%, 2022 was 8%, 2021 was 4.7% and 2020 was 1.23%. That would make the average inflation rate for the last 5 years at 4.07%. So, with the current recommendation of 2.5 – 2.75%, the landlords are not even able to keep up with inflation.
12. Page 4 of the Ordinance- Sec 17-02.04a and also Sec 17-02.05 "may not exceed the lesser of \_\_\_% or \_\_\_%" Why would that show as a range?
13. Page 5 of the Ordinance – Could you clarify Sec. 17-02-04 (b) "A landlord has no duty to refund otherwise lawful rent received prior to effective date... in excess of the amount authorized by this section"?

14. If the tenant was charged 3% on January 1, 2024, how will the landlord refund the extra 1%? Is it only if the tenant requests it? Will it be done as a refund or applied to the next month rent?
15. How is the refund calculated if there was no rent increase in the prior year 2023? We often only raise our rents every 1-3 years. For instance, in year 1 we did not do an increase and in year 2 we did a 4% increase. That would mean that we are being penalized because we have tried to keep the costs down for the tenant. Is it possible to not make it retroactive or to average the 2023 & 2024?
16. Page 5 – Reasonable Rate of Return: Who determines what is a “just and reasonable return on the property”? This is a business; do you plan to control what the ag companies and the grocery stores and other business can earn as a “reasonable return.” So if I feel that I am not receiving a fair and reasonable return on my investments than I can petition the City, but ultimately the City can determine if I have made the correct amount of money. If I choose to take the risk to purchase property and have a tenant live in it, why am I subject to this rule? If the reverse is happening and I am not making a “reasonable return” will the city compensate me for my poor judgement? Of course it won't.
17. Page 7 -a-(4) This states that the landlord has to provide a financial statement to the City and “verified” financial data. That means an additional cost to the landlord to have an accountant produce and verify such information. The City shouldn't be responsible to determine what is verified or accurate or exorbitant. Do other businesses in town have to produce their financial information just to operate in this city? This will make people not want to do business in this town. Which will ultimately lead to less landlords and rentals.
18. Page 7 -a-(5): Why is the landlord responsible for “all costs associated with the city's review”, but the tenant is not responsible for the costs of their review? This seems very unequitable to the landlord. Who will pay for the review of the tenant? Since the landlord will be paying fees for this program, I think it could be interpreted that the landlord is ultimately paying for the tenant's review. Is that legal to have a biased, one-sided charge?
19. Page 7 -b-(3) If there is a larger than normal increase in the property taxes one year, will there be an automatic increase in what we can charge for rent that year, or does each individual landlord have to petition for a change and each landlord then will have to pay for a review. Some examples would be: Prop 13 to be recalled or if there were to be a special assessment.
20. Page 10 - 17-02.12 (c) Since this ordinance is written in legalese and most landlords do not speak that language, it seems that there should be a warning issued before they are sent to prison for up to 6 months. Maybe a warning and then a fine?
21. Will there be a free “help line” that is available to both the tenants and the landlord that could interpret the legalese when it is needed?
22. If it becomes necessary to hire a lawyer to help interpret, can the City impose a restriction on the rates that the lawyer charges, since the landlord will have price restrictions, it seems only fair that the lawyers would also have price restrictions.
23. Page 11-Rent Program Fee – Does this new fee replace the “rental registry fee” or is it an additional fee? Is it possible to combine the “rent program fee” and the “rental registry fee” and the “city business license fee needed for over 4 units”? It seems that “one” fee would be easier to track and would require less bookkeeping on both the city and the landlords.
24. Page 11- Implementation – Am I understanding that each time there is a rent increase that the landlord will be responsible to send the same informational materials that the tenant would

have received when they signed the lease? This seems like a waste of paper and extra postage and the time to print and send.

Additional questions:

25. I would be curious to know if when the Costa-Hawkins policy was adapted with a 5% cap, did it help to stabilize the rents? If it didn't, then how do you figure that a lesser % cap is going to be the answer? If it did help to stabilize, then did it help enough that we need to do an even greater cap? Or has no one even looked at the effect it has had in our city.
26. Who enforces the current Costa-Hawkins policy? Maybe our City should start with using the rental registry fees to hire someone to enforce what we already have, instead of trying to impose stricter rules that ultimately won't help the tenant or the landlord.
27. How is the current rental registry being enforced? Have all the landlords registered? If the current registry is ineffective than how can we expect a more restrictive program to work?
28. Will it be on future agendas to place limits on the amount of money that the lawyers, property managers, insurance companies, handyman services, plumbers, gardeners etc. can charge for their services? Will you also limit the utilities services and the price of lumber and supplies? It only seems fair that if you are limiting one business' profits, that you should limit all of them. Why would anyone in the future ever want to be a landlord to have it regulated by our city?
29. When a tenant's lease expires, is the landlord obligated to renew their lease?
30. Why does Housing Authority provide such an expensive voucher for their select clients? In my opinion, that is one of the driving forces of rentals in this county. If someone is willing to pay it, then why wouldn't the landlord charge that amount?
31. Why doesn't Housing Authority put a limit on the amount of time that a tenant can use their program? I have had tenants who have been on the program for over 10 years. The tenants seem to work for awhile and then when Housing Authority reevaluates their fees, they decide to quit their job. It seems that it would be fairer to limit the tenants to 3- 5 years which would be enough time to go to school and get a job. Then more people would be able to get assistance to pay for housing. The able-bodied tenants that are on the program for so long are taking funds away from other people that need assistance.
32. It seems that this program will have a negative affect on those that are not currently in the housing market. For instance, if a unit becomes empty, the landlord will have to offer it at a maximum amount to make up for what they have lost on the other units. This in turn will force a new tenant such as a young person who is starting out or someone that is moving into the area to pay a high amount. They would probably choose to live in a different city. This will not "improve the outlook for residents struggling to afford housing."

I feel that this ordinance has been rushed through and not enough thought put into it. The City lawyer stated at the meeting that he has had very little input emailed to him. That shows that the meetings have not been made public to the very people that it affects. It is imperative that all of the landlords and tenants be notified for input. Maybe there could be a flyer sent to all of the landlords about an upcoming meeting and the landlords could post it for the tenants or mail it to them. This ordinance is biased towards the tenants and will eventually eliminate the small apartment owner. In the past, I have



increased rents every 2-3 years, but this ordinance will probably force me to increase rent at the maximum amounts each year or I will never be able to keep up with costs.

I look forward to receiving the answers/clarification on the above questions to help me better understand the proposed ordinance. I hope that this ordinance can be postponed until all involved parties can have an opportunity to voice any concerns. We all have the same goal in mind – to live and work to make Salinas a better city.

Thank you for your time,

Sandy Desmond

**From:** [SEH Property](#)  
**To:** [chrisc@ci.salinas.ca.us](mailto:chrisc@ci.salinas.ca.us)  
**Cc:** [mayor@ci.salinas.ca.us](mailto:mayor@ci.salinas.ca.us); [district1@ci.salinas.ca.us](mailto:district1@ci.salinas.ca.us); [district2@ci.salinas.ca.us](mailto:district2@ci.salinas.ca.us); [district3@ci.salinas.ca.us](mailto:district3@ci.salinas.ca.us); [district4@ci.salinas.ca.us](mailto:district4@ci.salinas.ca.us); [district5@ci.salinas.ca.us](mailto:district5@ci.salinas.ca.us); [district6@ci.salinas.ca.us](mailto:district6@ci.salinas.ca.us); [renem@ci.salinas.ca.us](mailto:renem@ci.salinas.ca.us); [housingwebmail@ci.salinas.ca.us](mailto:housingwebmail@ci.salinas.ca.us); [legalwebmail@ci.salinas.ca.us](mailto:legalwebmail@ci.salinas.ca.us)  
**Subject:** Questions about proposed Rent Stabilization  
**Date:** Friday, August 9, 2024 1:09:46 PM  
**Attachments:** [Questions about Ordinance.pdf](#)

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Hello,  
Attached are questions I have about the proposed rent stabilization ordinance.  
Thank you,  
Sandy

**From:** [Robt. Fisher Fisher](#)  
**To:** [Christopher Callihan](#)  
**Subject:** Re: City Resident- Upset about Rent Control Meeting  
**Date:** Wednesday, August 7, 2024 1:53:27 PM  
**Attachments:** [image002.png](#)  
[image005.png](#)  
[image006.png](#)  
[image003.png](#)  
[image004.png](#)

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Thank You, by the way its not fair to have a meeting that involves the citizens who want to speak when you have Property Management & Lanlords present, i'm sure there would have been a better turn out, no one wants to say anything when Property Management is present in fear of retaliation.

On Wednesday, August 7, 2024 at 12:32:06 PM PDT, Christopher Callihan <[chrisc@ci.salinas.ca.us](mailto:chrisc@ci.salinas.ca.us)> wrote:

Thank you, Mr. Fisher, for your comments. I will be sure your comments are included with the information presented to the City Council.

Christopher A. Callihan, Esq.  
City Attorney  
City of Salinas  
200 Lincoln Avenue  
Salinas, CA 93901-2639  
Telephone: (831) 758-7256 (main)  
Telephone: (831) 758-7418 (direct)  
Facsimile: (831) 758-7257  
Email: [chrisc@ci.salinas.ca.us](mailto:chrisc@ci.salinas.ca.us)



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**From:** Robt. Fisher Fisher <[robtfisher@sbcglobal.net](mailto:robtfisher@sbcglobal.net)>  
**Sent:** Wednesday, August 7, 2024 12:02 PM  
**To:** Christopher Callihan <[chrisc@ci.salinas.ca.us](mailto:chrisc@ci.salinas.ca.us)>

**Subject:** Re: City Resident- Upset about Rent Control Meeting

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Hello Mr. Callihan, my name is Robert Fisher, we briefly spoke about the rent control in Salinas recently and you recommended me to go to the meeting that was held on Aug 1 2024 i did what a joke i can't believe how blind our city is, the problem is not the housing shortage in Salinas it is PROPERTY MANAGEMENT, a few years ago there were 4-5 Property Management Company's now there are over 50 Property Managements in Monterey Ca, why because when a lanlord goes into a contract with Property Management they only want so much for rent anything over that Property Management gets, for example i'm leasing a house here in south Salinas the lanlord only wants \$1800.00 our Property Management charges us \$2600.00 so our Property Management has between 750-800 Properties if thats the case where is there any kind of rent control, this why there are so many Property Managements the city is not going to go after them because of the revenue they bring in, its not the lanlords its PROPERTY, MANAGEMENT, when you build more homes Property Management gets there hands on them forget it, you are going to have the same problems, Property Management are the ones controlling the rent, not the lanlords the City needs to control Property Management which i don't see it going to happen. As long as we have Property Management we will never have rent control if you wish to talk to me 831-596-2433 Thank You

On Tuesday, May 21, 2024 at 03:41:48 PM PDT, Christopher Callihan <[chrisc@ci.salinas.ca.us](mailto:chrisc@ci.salinas.ca.us)> wrote:

Good afternoon, Mr. Fisher.

I received the below message regarding a meeting which occurred yesterday. Please feel free to call me when you have some time: 831.758.7418.

Thank you.

Christopher A. Callihan, Esq.

City Attorney

City of Salinas

200 Lincoln Avenue

Salinas, CA 93901-2639

Telephone: (831) 758-7256 (main)

Telephone: (831) 758-7418 (direct)

Facsimile: (831) 758-7257

Email: [chrisc@ci.salinas.ca.us](mailto:chrisc@ci.salinas.ca.us)



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**From:** Hazel Jovel-Cruz <[hazelc@ci.salinas.ca.us](mailto:hazelc@ci.salinas.ca.us)>  
**Sent:** Tuesday, May 21, 2024 3:39 PM  
**To:** Christopher Callihan <[chrisc@ci.salinas.ca.us](mailto:chrisc@ci.salinas.ca.us)>; Kimbley Craig <[kimbleyc@ci.salinas.ca.us](mailto:kimbleyc@ci.salinas.ca.us)>  
**Subject:** City Resident- Upset about Rent Control Meeting

Hello,

Robert Fisher, a city resident, stopped by a few minutes ago. He wanted to meet with the both of you regarding yesterday's meeting on rent control. He briefly mentioned why he was upset so I told him I could take his contact information and would let you both know.

His phone number is 831-596-2433 and his email [robtfisher@sbcglobal.net](mailto:robtfisher@sbcglobal.net).

Thank you.



**Hazel Jovel**

Human Resources Technician  
Human Resources Department  
200 Lincoln Avenue, Salinas, California 93901  
[hazelc@ci.salinas.ca.us](mailto:hazelc@ci.salinas.ca.us)

P: (831) 758-7255



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**From:** [Robt. Fisher Fisher](#)  
**To:** [Christopher Callihan](#)  
**Subject:** Re: City Resident- Upset about Rent Control Meeting  
**Date:** Wednesday, August 7, 2024 12:02:43 PM  
**Attachments:** [image006.png](#)  
[image005.png](#)  
[image004.png](#)  
[image003.png](#)  
[image002.png](#)

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City Attorney  
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**From:** Hazel Jovel-Cruz <[hazelc@ci.salinas.ca.us](mailto:hazelc@ci.salinas.ca.us)>

**Sent:** Tuesday, May 21, 2024 3:39 PM

**To:** Christopher Callihan <[chrisc@ci.salinas.ca.us](mailto:chrisc@ci.salinas.ca.us)>; Kimbley Craig <[kimbleyc@ci.salinas.ca.us](mailto:kimbleyc@ci.salinas.ca.us)>

**Subject:** City Resident- Upset about Rent Control Meeting

Hello,

Robert Fisher, a city resident, stopped by a few minutes ago. He wanted to meet with the both of you regarding yesterday's meeting on rent control. He briefly mentioned why he was upset so I told him I could take his contact information and would let you both know.

His phone number is 831-596-2433 and his email [robtfisher@sbcglobal.net](mailto:robtfisher@sbcglobal.net).

Thank you.



**Hazel Jovel**

Human Resources Technician

Human Resources Department

200 Lincoln Avenue, Salinas, California 93901

[hazelc@ci.salinas.ca.us](mailto:hazelc@ci.salinas.ca.us)

P: (831) 758-7255



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**From:** [Kylie S](#)  
**To:** [chrisc@ci.salinacounty.ca.us](mailto:chrisc@ci.salinacounty.ca.us)  
**Cc:** [housingwebmail@ci.salinacounty.ca.us](mailto:housingwebmail@ci.salinacounty.ca.us); [legalwebmail@ci.salinacounty.ca.us](mailto:legalwebmail@ci.salinacounty.ca.us); [district1@ci.salinacounty.ca.us](mailto:district1@ci.salinacounty.ca.us); [district2@ci.salinacounty.ca.us](mailto:district2@ci.salinacounty.ca.us); [district3@ci.salinacounty.ca.us](mailto:district3@ci.salinacounty.ca.us); [district4@ci.salinacounty.ca.us](mailto:district4@ci.salinacounty.ca.us); [district5@ci.salinacounty.ca.us](mailto:district5@ci.salinacounty.ca.us); [district6@ci.salinacounty.ca.us](mailto:district6@ci.salinacounty.ca.us); [renem@ci.salinacounty.ca.us](mailto:renem@ci.salinacounty.ca.us)  
**Subject:** Rent Stabilization Feedback  
**Date:** Thursday, August 8, 2024 2:54:07 PM  
**Attachments:** [Rent Stabilization Feedback.pdf](#)

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**CAUTION:** This message originated outside of the City of Salinas email system. Do not click on links or open attachments unless you are sure the content is safe.

Please see the attached letter for feedback on the proposed rent stabilization ordinance.

Thank you,  
Kylie Sloan



**From:** [Jennifer Garcia](#)  
**To:** [steveca@ci.salinass.ca.us](mailto:steveca@ci.salinass.ca.us); [kimbleyc@ci.salinass.ca.us](mailto:kimbleyc@ci.salinass.ca.us); [chrisc@ci.salinass.ca.us](mailto:chrisc@ci.salinass.ca.us); [orlandoo@ci.salinass.ca.us](mailto:orlandoo@ci.salinass.ca.us); [tonyb@ci.salinass.ca.us](mailto:tonyb@ci.salinass.ca.us); [anthonyr@ci.salinass.ca.us](mailto:anthonyr@ci.salinass.ca.us); [andrews@ci.salinass.ca.us](mailto:andrews@ci.salinass.ca.us); [lisab@ci.salinass.ca.us](mailto:lisab@ci.salinass.ca.us)  
**Cc:** [Audrey wardwell](#); [Traci](#)  
**Subject:** Rent Stabilization Ordinanace  
**Date:** Wednesday, April 10, 2024 9:52:30 AM

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Hello City Leaders,

My name is Jennifer Garcia, owner of real estate properties in Salinas. While I no longer live in CA, I grew up in Salinas and continue to have business ties to the area. I understand the housing difficulties many tenants face, however, I want to voice my concerns about the current ordinance from an owner perspective. If the proposed ordinance takes affect, I will likely choose not to continue to invest in the Salinas community with additional property purchases and may likely phase out or sell my current properties. It is difficult currently to live out of state, pay increasing maintenance, utility and property management fees. We just put \$100,000 of updates/upgrades to an existing property and appropriately needed to increase rental rates. If this ordinance had been in effect, I likely would not have been able to recoup my investment. This is a critical time for me as I evaluate which direction I will be investing in real estate in the future.

Please consider the importance of the collaboration between local leaders, tenants and landlords in making changes to the laws regarding rent stabilization in and around the Salinas valley. While this is no small task, the importance of discussion from all sides before making changes is vital to all groups.

I pride myself in taking care of our tenants with the help of an excellent property manager. Maintenance, taxes, and brokerage fees are expensive and inflation continues to plague the industry. Please give landowners a reason to continue to invest in the Salinas area.

Open discussion and further information is crucial in planning any changes. Thank you for your time.

Sincerely,  
Jennifer Garcia

Sent from [Mail](#) for Windows

**From:** [Maria Venturini](#)  
**To:** [chrisc@ci.Salinas.ca.us](mailto:chrisc@ci.Salinas.ca.us); [lisab@ci.salinas.ca.us](mailto:lisab@ci.salinas.ca.us); [Kimbleyc@ci.salinas.ca.us](mailto:Kimbleyc@ci.salinas.ca.us); [andrews@ci.salinas.ca.us](mailto:andrews@ci.salinas.ca.us); [anthonyr@ci.salinas.ca.us](mailto:anthonyr@ci.salinas.ca.us); [tonyb@ci.salinas.ca.us](mailto:tonyb@ci.salinas.ca.us); [orlandoo@ci.salinas.ca.us](mailto:orlandoo@ci.salinas.ca.us); [district1@ci.salinas.ca.us](mailto:district1@ci.salinas.ca.us)  
**Subject:** Rent Stabilization Ordinance Draft  
**Date:** Monday, May 20, 2024 9:09:02 AM

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Mr. Callahan:

**Regarding the Housing and Land Use Committee April 30 Meeting,** my prior email to committee members, Mayor and council members is included below.

**The Rental Stabilization Ordinance Draft appears to be overwhelmingly partial to tenants,** with little recourse for owners. For example, there are provisions protecting tenants who are disabled or over 65, yet there are no such provisions for owners who are disabled or over 65. I am retired, entering my most vulnerable years, and very much concerned about the discriminatory tone in the draft against owners in general.

**There are no projections in the draft for a possible future pandemic or housing emergency. During the COVID-19 pandemic, landlords received only 80 percent of any unpaid rent owed through the Emergency Rental Assistance Program and an Eviction Moratorium was in place.** What do you project the impacts on landlords to be if rents were allowed to increase only well below CPI and then be combined with an additional 20% decrease for a housing emergency?

**There are no postings for the Technical Advisory Committee.** The general view among economists is that rent regulation has many negative and market-distorting side effects such as misallocation, rental housing shortage and under maintenance. Whom have you contacted for technical expertise and guidance related to various aspects of the Rental Stabilization Ordinance Draft? What is the Technical Advisory Committee and who are its members? There is little information on how the draft was produced, yet it is being rushed through without adequate background documentation.

**I urge you to slow down** and please provide a more balanced approach for both tenants and owners in the consideration of a Rental Stabilization Ordinance.

Regards,  
Maria Venturini

---

**Subject:** Housing and Land Use Committe April 30 Meeting

Councilmembers and Mayor:

**I am the retired owner of a Salinas duplex**, currently occupied by tenants. I am extremely concerned regarding a Salinas Rent Stabilization Ordinance which could negatively impact me.

**I have invested in this property in order to supplement my retirement income.** This charming South Salinas duplex is old and requires frequent and often costly maintenance. The cost of a sewer line replacement or a new roof are in the tens of thousands. Appliances, with the cost of inflation, have nearly doubled in the last few years.

**This is my only rental property.** I have been a fair landlord and increased rents modestly and below the allowed California rent control limits. I even pay for the ever-increasing charge for sewer service. However, in order to properly maintain the property, should a large repair be needed, it might become necessary to increase the rent to the maximum currently allowed by California rent control.

**I also have to deal with my own increased food, medical, housing, transportation and utility costs.** I was hoping, when I could no longer make the stairs in my current home, to move into one of my duplex units, to live out my remaining years. Instead, I may have to sell the duplex, if Salinas Rent Stabilizations laws are unreasonable for landlords.

**Small landlords, like me, should be exempt from any Salinas Rent Stabilization laws.** The City of Monterey exempts owners of 3 or fewer units from their recently established rental registration requirements.

**As a council member, you are one of the “Elders” of the community.** Elders have the wisdom, experience and insight to understand the historic implications of rent stabilization laws in other communities and the long-term negative impacts they have had for tenants, as well as landlords. Rental units have often been withdrawn from the market, available only as furnished vacation rentals (AirBnB).

**I am unable to Zoom or attend the April 30 Housing and Land Use Committee Meeting.**

Regards,  
Maria Venturini

**From:** [Alex Li](#)  
**To:** [andrews@ci.salinas.ca.us](mailto:andrews@ci.salinas.ca.us); [anthonyr@ci.salinas.ca.us](mailto:anthonyr@ci.salinas.ca.us); [tonyb@ci.salinas.ca.us](mailto:tonyb@ci.salinas.ca.us); [orlandoo@ci.salinas.ca.us](mailto:orlandoo@ci.salinas.ca.us); [chrisc@ci.salinas.ca.us](mailto:chrisc@ci.salinas.ca.us); [kimbleyc@ci.salinas.ca.us](mailto:kimbleyc@ci.salinas.ca.us); [steveca@ci.salinas.ca.us](mailto:steveca@ci.salinas.ca.us); [lisab@ci.salinas.ca.us](mailto:lisab@ci.salinas.ca.us)  
**Subject:** Rent Stabilization Ordinance will Hurt our Community  
**Date:** Tuesday, May 7, 2024 4:38:57 PM

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**CAUTION:** This message originated outside of the City of Salinas email system. Do not click on links or open attachments unless you are sure the content is safe.

Hi Council Members,

I am a landlord in Salinas and have concerns over this new Rent Stabilization Ordinance.

Here are some of the key concerns I have regarding this ordinance:

1. Decrease in housing stock due to landlords' inability to navigate new regulations or afford housing provision.
2. Annual rental increases burdening tenants.
3. Lack of understanding regarding the high costs of property maintenance.
4. Challenges in recovering funds from tenants who damage property.
5. Potential for a housing crisis similar to that experienced in certain European cities. I believe that constructive dialogue and collaborative efforts are essential in addressing these concerns. Therefore, I propose the following solutions for consideration:
  1. Formation of small groups comprising landlords, property managers, builders, and tenants to discuss the issue.
  2. Streamlining the housing development process by reducing regulatory barriers and associated costs.
  3. Regulate the Monterey County Housing annual increases. Most property managers and landlords mirror their rates to them
  4. Temporary rent subsidies to alleviate immediate financial burdens on tenants.
  5. Exploration of municipal low-income housing initiatives.
  6. Streamlined processes for converting vacant commercial spaces into housing units.
  7. Provision of interruption services through the City to address disputes and for leases.
  8. Enforcement of existing state rent control laws by mirroring them at the municipal level.
  9. Ensuring equitable distribution of responsibilities between landlords and tenants.
  10. Establishment of a task force to address issues related to substandard housing while supporting responsible landlords.

Thank you,

-Alex Li



August 9, 2024

Chris Callihan, Esq., City Attorney  
City of Salinas  
200 Lincoln Avenue  
Salinas, CA 93901

*Re: Proposed Rent Stabilization Ordinance*

Dear Mr. Callahan:

I've reviewed the proposed rent stabilization ordinance as well as the EPS presentation and strongly believe the ordinance will be detrimental to the housing market in Salinas and, therefore, urge the City to not approve this ordinance.

Please consider the following:

**I. The EPS study is misleading.**

The EPS study relies on a variety of assumptions that are not supported by the current local market and, therefore, produce results that diminish the actual damages that will be realized upon implementation.

1. Their Internal Rate of Return (IRR) projections are predicated on a capitalization rate and a market rental appreciation rate that are not reflective of local market conditions.

Their study uses a capitalization rate of 6.0%; however, this capitalization rate has not existed in the local multi-family market for more than a decade. Actual sales in Salinas indicate a range of 3.5% to 5.0% depending on the size of the property, with smaller duplex and tri-plex type properties falling toward the lower end of the range.

Their study also uses a market rental appreciation rate of 3.35%; however, this is also not supported by the data. Their own report<sup>1</sup> indicates that effective rent in Salinas rose from \$1,070 in 2012 to \$1,899 in 2022, which equates to an annual change of 5.7%<sup>2</sup>.

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<sup>1</sup> EPS PPT Presentation, Page 12

<sup>2</sup> Compounded percentage change.

Costar, which is an EPS data source, indicates an annual market rent percentage change of 5.8% from 2014 to 2024.

Combining an artificially high capitalization rate with an artificially low market rent artificially reduces the effects of this proposed ordinance.

Changing their assumptions to those considered to be supported by the current local market, indicates the following IRRs:

<i>Unleveraged IRR</i>	<i>EPS Study</i>	<i>Corrected Assumptions</i>		
		<i>Larger Complexes</i>	<i>Mid-Sized Complexes</i>	<i>Smaller Complexes</i>
Capitalization Rate	6.00%	5.00%	4.00%	3.50%
Market Rent Appreciation	3.35%	5.00%	5.50%	5.50%
IRR @ Market	7.90%	8.70%	8.30%	7.60%
IRR @ 80% of CPI	7.00%	6.40%	5.60%	5.00%
IRR Difference	0.90%	2.30%	2.70%	2.60%
IRR % difference	-11.4%	-26.4%	-32.5%	-34.2%

As shown above, the actual effect on an investor's IRR is significantly greater than what is reported in the EPS Study, especially for smaller duplex and triplex-type properties.

2. The EPS study is predicated on a turnover rate of 11.0%, which implies that all units will turn over and adjust to market within the projected 10-year holding period.

This assumption does not consider that turnover is often concentrated within a portion of a property and that a significant percentage of tenants reside in the same unit for more than 10 years. This percentage of long-term tenants (more than 10 years) is frequently 20 to 25% of a property's total units and can be in excess of 45%<sup>3</sup> in some instances.

These long-term tenancies reduce the ability to increase rents to market and will result in an IRR that is less than what is shown above.

Based upon the above, the EPS study should not be relied upon as it is misleading and actual damages will be much greater than what is being presented to the City.

<sup>3</sup> We personally have a 19-unit complex in Salinas where 9 units (47%) have been leased to the same tenants for more than 10 years.



**II. The proposed ordinance adversely affects Salinas' older housing stock.**

By state law, the proposed ordinance is restricted to those properties built before February 1, 1995. Therefore, this ordinance only restricts income on the oldest housing stock in Salinas and on those properties that have the highest operating expense ratios. These are also the homes that require the greatest number of capital improvements and which are becoming increasingly uninsurable in California's insurance market.

While the proposed ordinance provides a provision for obtaining a reasonable rate of return, this provision will be considered burdensome in the market and will discourage improvements. Discouraging such will result in an accelerated degradation of Salinas' older housing stock.

**III. The proposed ordinance adversely affects those properties with below market rents.**

Many property owners in Salinas do not adjust their rents to market but instead provide rents that are significantly below market. By restricting rent growth, this proposed ordinance would punish those property owners who have been generous in keeping their rents low and reward those who have pushed rents to the market's limit.

**IV. The retroactive date adversely affects the reasonable rate of return.**

Apartment owners over this past year have experienced record increases in their operating costs, including sky-rocketing insurance rates, and mortgage refinance rates that are several percentage points higher than what existed previously. Retroactively imposing this ordinance during a volatile market will have the unintended effect of giving many property owners immediate grounds to appeal for a higher rental increase to realize a reasonable rate of return.

**V. The proposed ordinance will diminish the appeal to own rental housing in Salinas.**

If this ordinance is enacted, the appeal to own rental housing units in Salinas will be diminished. Why invest in an asset where your revenue growth is capped and your expenses are not? This question can be answered by the calls we are receiving from property owners already looking to divest from Salinas' housing market and into industrial commercial, and/or outside markets.

Investors will not be content with an IRR of 5.0% to 6.4% as shown previously in the corrected EPS projections, especially when CDs pay 4.5% to 5.0% and when mortgage rates are topping 6.5%. Capital flight will be a genuine threat to the housing market, and the cumulative effect on property values in Salinas is not adequately considered in the EPS Study.



Chris Callihan, Esq.

August 9, 2024

Re: Proposed Rent Stabilization Ordinance

Page 4

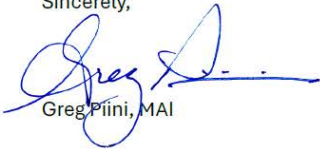
**VI. Exempt units will see upward pressure on rents.**

Passage of the proposed ordinance will create two markets—exempt units and qualifying units. While the ordinance will reduce rents on qualifying units, it will also reduce turnover, which will in turn reduce the number of units available on the open market at any given time. Reduced supply in the qualifying market will push demand to the exempt market and will put upward pressure on rents in the exempt housing market.

Rental increases in the exempt market will likely offset rental reductions in the qualifying market.

As an appraiser with 24 years of experience analyzing the local Salinas real estate market, I respectfully urge you to seriously consider the above and reject the proposed ordinance. Based on my professional experience, I can only conclude that if adopted, the long-term detriment to the Salinas housing market will greatly outweigh the short-term benefits.

Sincerely,



Greg Piini, MAI

cc: Rene Mendez, City Manager, City of Salinas

**From:** [tdenely2@verizon.net](mailto:tdenely2@verizon.net)  
**To:** [andrews@ci.salinas.ca.us](mailto:andrews@ci.salinas.ca.us); [anthonyr@ci.salinas.ca.us](mailto:anthonyr@ci.salinas.ca.us); [tonyb@ci.salinas.ca.us](mailto:tonyb@ci.salinas.ca.us); [orlandoo@ci.salinas.ca.us](mailto:orlandoo@ci.salinas.ca.us); [chrisc@ci.salinas.ca.us](mailto:chrisc@ci.salinas.ca.us); [kimbleyc@ci.salinas.ca.us](mailto:kimbleyc@ci.salinas.ca.us); [steveca@ci.salinas.ca.us](mailto:steveca@ci.salinas.ca.us); [lisab@ci.salinas.ca.us](mailto:lisab@ci.salinas.ca.us); [Audrey Wardwell](#)  
**Subject:** Rent stabilization  
**Date:** Wednesday, April 10, 2024 4:01:59 AM

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Dear leaders,

Please consider the importance of the collaboration between local leaders, tenants and landlords in making changes to the laws regarding rent stabilization in and around the Salinas valley. While this is no small task, the importance of discussion from all sides before making changes is vital to all groups.

As a landlord in Salinas, I pride myself in taking care of our tenants with the help of an excellent property manager. Maintenance, taxes, and brokerage fees are expensive and inflation continues to plague the industry.

Open discussion and further information is crucial in planning any changes.

Thank you for your time.

Sincerely,  
Traci Denely

[Sent from the all new AOL app for iOS](#)

October 24, 2023

*Stephen W. Pearson*

*Anne K. Secker*

*Randy Meyenberg*

*Christine G. Kemp*

*Timothy J. Baldwin*

\* *Charles Des Roches*

\* *Robert D. Simpson*

*Ana C. Toledo*

\* *Leslie E. Finnegan*

*Lindsey Berg-James*

*Heidi A. Quinn*

*Daniel J. Little*

*Anne Frassetto Olsen*

\* *Yvonne A. Ascher*

*Sharilyn R. Payne*

*William H. Falor*

*William H. Shearer*

*Geraldine A. Villa*

*Michael Masuda*  
*(Of Counsel)*

*Harry L. Noland*  
*(1904-1991)*

*Paul M. Hamerly*  
*(1920-2000)*

*Myron E. Etienne, Jr.*  
*(1924-2016)*

*Peter T. Hoss*  
*(1934-2018)*

\* CERTIFIED SPECIALIST IN  
PROBATE, ESTATE PLANNING,  
AND TRUST LAW BY  
THE CALIFORNIA BOARD OF  
LEGAL SPECIALIZATION  
STATE BAR OF CALIFORNIA

To All Members of the Salinas City Council

Re: Rent Stabilization/Control

Dear Council Members:

This office represents 1487 Constitution, LLC; 1496 Constitution, LLC, 1500 Constitution, LLC, 1515 Constitution LLC and 1701 Constitution, LLC. Each of these clients owns and operates rental housing in the Creekbridge Area of Salinas.

I am writing on behalf of these clients to urge you to reject the idea of pursuing any rent stabilization or rent control ordinance for the City of Salinas. While we recognize that demand for rental units far exceeds the current supply of rental units, enacting a rent stabilization/control ordinance is not the solution to solving that problem.

There are three things to which I draw your attention and request you to consider carefully.

I. California Law Preempts the City from Enacting Laws in Areas Already Controlled by the State.

California already limits the amount that rent can increase annually. State law pre-empts any ability of the City to make any different regulation than already established by State Law. The Tenant Protection Act of 2019 limits annual rent increases to 5% plus the annual Cost of Living Increase or 10%, whichever is lower (Civil Code §1946.12). This law covers the vast majority of rental housing in Salinas, exempting single family homes and buildings that have received their certificate of occupancy within the last 15 years.<sup>1/</sup>

<sup>1/</sup> there are additional classifications of housing exempt from the law (See CC 1946.12(d)), but those are generally not the types of housing any ordinance the City adopts will attempt to control

II. Basic Economics 101.

Beyond the fact that landlords do not like rent control, the economic reality is that rent stabilization/control does not work to achieve the goal of providing more affordable housing.

The real problem is supply and demand and the way the economy works. The City's policies, red-tape and fees imposed to this point have dis-incentivized the building of more rental units. Demand exceeds supply, making the available rental units expensive. The only real solution here is to allow the building of more rental units through a system of steam-lined planning and zoning laws and procedures. The more supply that is created, the more the demand will be met. Those offering rental units will have to offer them at economically competitive prices. Let the marketplace work to stabilize the rents, rather than create artificial policies that dis-incentivize the creation of new rental housing units.

When the price of something is held down (as through a rent stabilization/control ordinance), the demand rises. Thus, when rental prices are held lower than they otherwise would be a market rates, renters want to rent more units and landlords want to rent out fewer units. The result is an affordable housing shortage.

Other unintended, but real, consequences are that by limiting the rent landlords can collect encourages them to reduce their maintenance expenses, which means repairs and updates may happen less frequently. Old appliances may be replaced more slowly and property damage may not be able to be immediately addressed. In a free market without controls, landlords must compete for tenants by offering better housing units and better service in order to retain their tenants.

Additionally, a long list of potential tenants due to rent control is likely to make landlords much more selective about the tenants they rent to. This may leave the most needy and the poorest tenants out.

Rent stabilization/control ordinances discourage construction of additional apartment complexes. If an investor has the option of putting its money into an investment where it cannot achieve a market-rate return (such as in rent controlled apartments), or an investment where it can achieve market returns, what will that investor do? Obviously the investor will make the choice to invest their money in the investment that will provide a market rate return. This will decrease the number of rental housing units over the long term.

III. What History Has Shown in Other Areas That Have Enacted Rent Stabilization/Control.

Many other cities have tried to solve housing crises in their areas through rent stabilization/control ordinances. Numerous studies have shown that rent stabilization/control ordinances do not achieve the goal of making housing more affordable. Here is what the data shows:

- A 2019 Study of the effects of rent stabilization/control in San Francisco over 36 years (from 1980-2016) showed that the number of units available for rent decreased by 15% in that time period. Landlords converted the units into condos, sold them as single family homes or otherwise converted them to uses that were exempt under the rent stabilization/control ordinance. At the same time, rents increased by about 5.1%. Further, tenants who occupied rent-controlled units were 20% less likely to be mobile, so that when they had better economic opportunities for jobs, they ended up commuting further, thus increasing traffic and adding to air pollution. *American Economic Review* 2019, Diamond, et al., The Effects of Rent Control Expansion of Tenants, Landlords, and Inequality.
- A study from Germany showed that rent control dampened the prices of rental housing for about a year, but that effect vanished after the first year. The rent control benefitted mostly areas inhabited by higher-income households, thus missing the entire goal of enacting the controls in the first place. *Regional Science and Urban Economics*, Temporal Dynamics of Rent Regulations: The case of the German Rent Control; Vol. 92, January 2022.
- 81% of economists believe that rent stabilization/control is a bad idea. (<https://www.igmchicago.org/surveys/rent-control/>).
- The Economist reported that “Rent controls are a textbook example of well-intentioned policy that does not work. They deter the supply of good-quality rental housing. With rents capped, building new rental housing becomes less profitable. Even maintaining existing properties is discouraged because landlords see no return for their investment. Renters stay put in crumbling properties because controls often reset when tenants change. Who occupies housing ends up bearing little relation to who can make the best use of it (i.e., workers well-suited to local job opportunities). This mismatch reduces economy-wide productivity. The longer a tenant stays put, the bigger the disparity between the rent market and his payments, sharpening the incentive not to move. (*The Economist*, September 19, 2019.)
- Rent control does not increase the amount of affordable housing, nor is it a solution to poverty, inequality or segregation. Instead, restricting the supply of

housing transfers wealth to current tenants at the expense of future and market-rate tenants. Rent control leads to the decay in the quality of the housing because landlords have less to spend on maintenance and improvements. Regulating rents, in short, does more harm than good. *The Manhattan Institute, Issues 2020: Rent Control Does Not Make Housing More Affordable*, January 8, 2020 (<https://manhattan.institute/articles/issues-2020-rent-control-does-not-make-housing-more-affordable>)

- Rent control only helps tenants in the very short run. In the long run, rent control decreases affordability, fuels gentrification and creates negative externalities on the surrounding neighborhoods. These results highlight that forcing landlords to bear the burden of insuring tenants from rent increases is ultimately counter-productive. *The Brookings Institution, What Does Economic Evidence Tell Us About The Effects Of Rent Control?*, October 18, 2018 (<https://www.brookings.edu/articles/what-does-economic-evidence-tell-us-about-the-effects-of-rent-control/>)
- Stockholm, Sweden enacted rent control. By 2018, there were 638,000 people competing for a diminishing stock of rental housing. The average waiting time to find a long-term tenancy was 10 years and black-market rentals began to thrive. *The Economist*, September 19, 2019.
- Studies have shown that over time, rent controlled apartments have tended to fall into the hands of middle-class professionals. A 1994 study of Cambridge, Massachusetts by housing consultant Rolfe Goetze showed that rent-controlled apartments were concentrated among highly educated professionals, while the poor, the elderly and students were generally excluded. Michael St. John, a Berkeley sociologist, found similar results in California. “Rent control actually accelerated gentrification in Berkeley and Santa Monica” said St. John. “Poor and working class people have been forced out of those communities faster than in surrounding municipalities” without rent control. Pacific Research Institute, October 16, 2023 (<https://www.pacificresearch.org/rent-control-is-destroying-a-city-near-you/>)

While I recognize that it is unrealistic to expect that politicians will ignore voters’ demands, the danger in enacting a rent stabilization/control ordinance is that not only does it hurt landlords (forcing them to subsidize tenants), it also ultimately will lead to fewer rental units and will entrench current tenants and benefit current tenants at the expense of future tenants and outsiders who want to move into our community. Please consider the actual economic effects in other communities before jumping on the bandwagon lead by those who want benefits for themselves at the expense of landlords

To All Members of the Salinas City Council  
October 24, 2023  
Page 5

and the expense of future potential residents who could add to and materially benefit our community.

Sincerely,

NOLAND, HAMERLY, ETIENNE & HOSS  
A Professional Corporation



Anne K. Secker

AKS:tsg

cc: Clients  
Salinas City Attorney

**From:** [Gloria Moore](#)  
**To:** ["Anthony Rocha"](#); ["Andrew Sandoval"](#); ["Olando Orsonio"](#)  
**Cc:** ["Christopher Callihan"](#); ["Lisa Brinton"](#)  
**Subject:** Residential Rent Stabilization and Tenant Protection & Just Cause Eviction and Tenant Protection  
**Date:** Monday, August 12, 2024 3:03:43 PM  
**Importance:** High

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**CAUTION:** This message originated outside of the City of Salinas email system. Do not click on links or open attachments unless you are sure the content is safe.

HLUC Members:

Regarding the total housing crisis which includes both selling prices and rents, I cannot deny that the housing market here in Salinas struggles to find solutions that do not cause unintended consequences. When local, county, state, and federal governments do not make housing the top priority, housing supplies tend to languish under excessive regulations that escalate land costs, increase fees, and discourage investments. Lacking long-term funding for affordable housing, costs for new market-rate housing will only increase. Inflation drives the costs of labor, materials, and services into an upward spiral. These factors certainly force pressures on existing housing inventory.

Remember when local planning was based on a *jobs/housing balance*? What happened?

Now every community is attempting to find that balance within their scope of governance with *smoke and mirrors*. Starting with rent control which did supply some relief, governing bodies now reach for solutions through rent stabilization and tenant protections.

-  
Driving-out small landlords who tend to live within our communities opens the rental market to larger real estate investors who expect larger bottom-line profits. Large Real Estate investors may have no connection with local communities and are then shielded from local scrutiny. **Small landlords** tend to favor less tenant turnover and understand the value of their tenants.

Now, I will focus my comments on the contents of the proposed Rent Stabilization and Tenant Protection Ordinance: \_



Sec. 17-02.03. Definitions. Add “**Hearing Officer**” Is this to be a particular staff person or a recognized representative with qualifications? This position will require demonstrated knowledge and experience in local markets and projected *rates of return*.

Sec. 17-02.05. Reasonable Rate of Return. ...and discourage the flight of capital, as well as to be commensurate with return on **comparable investments**. What constitutes a *comparable investment*?

Sec. 17-02.04. Limit on Rental Rate Increases.

Increases in rent on residential real property **controlled rental units** in the city may not exceed the lesser of **10 %** or **5%** plus of the most recent 12-month increase in the Consumer Price Index in the **San Francisco/Oakland/Hayward Area** published by the Bureau of Labor Statics. Only one rent increase in any 12 month is permitted.

~~A reduction in Housing Services is an increase in rent.~~

-

Sec.17-02.05. Reasonable Rate of Return.

This Rent Stabilization Ordinance allows for an annual adjustment of residential real property **controlled rental units** rent of up to the lesser of **10%** or **5% plus** of the most recent 12-month increase in the CPI for San Francisco/Oakland/Hayward Area published by the Bureau of Labor Statistics, pursuant to Sea. 17-02.04.

Sec.17-02.08. Petition for Pass through for Specified Capital Improvements. The City Council may adopt reasonable rules and regulations to govern Capital Improvement Standards and applications under this Section. **Question: When and How. Will there be opportunity for public input?**

Sed. 17-02.12 Violations; Remedies.

(b) **Who is the trier of fact? Is this a judge or . . .?**

Sec. 17-02.13 Rent Program Fee.

. . . Landlords subject to this rent Stabilization Ordinance shall register all **Controlled Rental Units** to this Article consistent with the City’s Residential Rental Registration program (Article I of Chapter 17 of the Salinas Municipal Code) with the city and pay the Rent program fee at such time and in such manner as established by City Council resolution . ~~A landlord may not recover any portion of the Rent program fee, or any associated late penalties, from~~

~~Tenants.~~ **NOTE: Residential Rental Registry only restricts Landlord from passing through any penalties. Does this mean that units exempted by Article IIA will not be subject to the Rent program fee?**

**SECTION 3.** Publication. **I suggest that the adopted ordinance be published on City’s webpage for 30 days since there is NO newspaper published and circulated in Salinas readily available in English and Spanish.**

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**SECTION 1. Article IIB. Just Cause Eviction and Tenant Protection.**

Sec.17-02-~~54~~ (b) (1) (C) The notice . . . . . is offered again for rent or lease for residential purposes within ~~five~~**three** years of the date . . . . . **NOTE: Three years is workable – five years less so.**

Thank you for your attention.

Gloria J. Moore  
Original TAC Member

-

To whom it may concern,

We object to the rent stabilization ordinance that the City of Salinas is attempting to implement. The current homeowners who rent out their properties have worked long and hard to achieve what we currently have. However, this ordinance will likely cause many issues regarding costs and investment for the foreseeable future. Maintaining property costs such as insurance, utilities bills, labor, materials, and others have risen greatly due to inflation since the pandemic. As things stand now, it is already difficult for homeowners to provide safe, decent, and affordable housing with the current rent increase limit set by the State of California. House providers will be left with minimal to no reasonable return of investment which will result in our ability to provide and maintain good housing becoming extremely limited. Not to mention the rising costs for properly maintaining the properties such as material costs for repairs or additions as well as labor costs for the people that actually do the work.

Additionally, the potential for real estate within the City of Salinas will likely drop as development of housing will simply no longer be worth investing in. Investors will be unlikely to continue investing into the real estate of Salinas and the overall value will drop in large quantities. Thus, the communities' economy will be severely impacted and likely drive people, being both tenants and homeowners, to leave the City of Salinas. The result will cause Salinas to become what is known as a dead city.

We as homeowners and taxpayers strongly advocate for the city of Salinas to NOT allow the rent stabilization ordinance to pass.

Sincerely,

Amanda Liang and Guo Xin Lei

**From:** [Hardenstein, Arleen](#)  
**To:** [Publiccomment@ci.salinas.ca.us](mailto:Publiccomment@ci.salinas.ca.us); [district6@ci.salinas.ca.us](mailto:district6@ci.salinas.ca.us); [district4@ci.salinas.ca.us](mailto:district4@ci.salinas.ca.us); [district5@ci.salinas.ca.us](mailto:district5@ci.salinas.ca.us)  
**Subject:** Salinas Housing & Land Use Committee - Letter in opposition to Rent Stabilization  
**Date:** Tuesday, March 26, 2024 2:13:47 PM

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**CAUTION:** This message originated outside of the City of Salinas email system. Do not click on links or open attachments unless you are sure the content is safe.

Dear Members of the Salinas Housing and Land Use Committee,

I am writing to express my opposition to the proposed rent stabilization measures currently under consideration by the committee. While I share the concern and sympathy for renters facing housing challenges in our city, I firmly believe that rent stabilization is not the most effective solution to address these issues.

Firstly, I would like to acknowledge the difficult circumstances many renters in Salinas are facing. Housing affordability is undoubtedly a critical issue that needs to be tackled urgently. However, implementing rent stabilization measures may not yield the desired outcomes and could potentially have adverse effects on both renters and property owners.

I urge the City of Salinas to prioritize hosting more public meetings and town halls to facilitate open dialogue and collaboration among stakeholders. This approach would allow for a comprehensive understanding of the challenges faced by both renters and property owners, leading to more effective and equitable solutions.

Through my interactions with numerous property owners in Salinas, I have come to understand their concerns regarding stricter rent control measures. Many property owners have expressed that they would consider selling their properties if the city implements rent stabilization measures more stringent than those already in place at the state level. This could exacerbate the housing crisis by reducing the available rental housing stock, ultimately impacting renters negatively.

It is crucial to find a balanced approach that addresses the needs of renters while also considering the concerns of property owners. I believe that fostering constructive dialogue and exploring alternative solutions, such as incentivizing affordable housing development and improving tenant protections within the existing legal framework, would be more beneficial in the long run.

In conclusion, I respectfully request the committee to reconsider the implementation of rent stabilization measures and instead focus on fostering collaboration and exploring innovative

solutions to address housing affordability in Salinas.

Thank you for considering my perspective on this important matter.

Sincerely,

Arleen Hardenstein

**Arleen Hardenstein** CRS, SRES, GRI, PSA

Sales Associate | **Canning Properties Group**

DRE# 01710953 | **831.915.8989** | CanningProperties.com

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Renee Garner  
Salinas, CA 93940  
March 25, 2024

Salinas Housing and Land Use Committee  
Salinas City Council  
200 Lincoln Avenue  
Salinas, CA 93901

Subject: Opposition to Rent Control/Stabilization and Proposal for Renters Assistance Program

Dear Members of the Salinas Housing and Land Use Committee and Salinas City Council,

I am writing to you as a longtime resident of Salinas with deep concerns about the proposed establishment of rent control/stabilization in our city. While I empathize with the challenges faced by renters in our community, I strongly believe that rent control is not the most effective solution to address these issues. Instead, I urge the City of Salinas to consider implementing a renters assistance program similar to what the City of Monterey is currently pursuing.

Rent control and stabilization measures, while well-intentioned, often have unintended consequences that can ultimately harm both renters and property owners. One of the most significant issues with rent control is that it can lead to deferred maintenance and worsening housing conditions. Property owners, faced with limited revenue due to rent caps, may struggle to afford necessary repairs and improvements, resulting in deteriorating living conditions for tenants.

Furthermore, rent control can deter new investment in rental properties, leading to a decrease in available housing stock and exacerbating the existing housing shortage in

our city. This can ultimately drive up rents in the long term, as the supply of rental units fails to keep pace with demand.

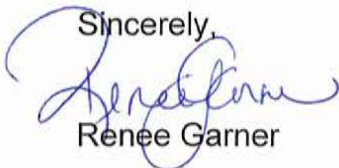
Instead of pursuing rent control, I believe that the City of Salinas should focus on implementing a robust renters assistance program. The City of Monterey's approach, which includes financial aid, mediation services, and support for renters facing eviction, serves as a promising model that could be adapted to meet the needs of Salinas residents.

By providing financial assistance to renters, along with resources to navigate disputes with landlords and prevent homelessness, the City can effectively support vulnerable households without the negative consequences associated with rent control. This approach promotes fairness for both tenants and property owners while ensuring that our housing market remains dynamic and sustainable.

I respectfully urge the Salinas Housing and Land Use Committee and the Salinas City Council to prioritize the development of a renters assistance program and explore alternative solutions to address the challenges faced by renters in our community.

Thank you for considering my perspective on this important issue. I look forward to seeing proactive measures that will benefit all residents of Salinas.

Sincerely,

A handwritten signature in blue ink, appearing to read "Renee Garner", is written over the typed name. The signature is fluid and cursive, with a large initial "R" and "G".

Renee Garner

**To: Salinas Housing and Land Use Committee**

**RE: Rent Stabilization Ordinance**

**Date: March 26, 2024**

Our country's system is that of a free market economy, allowing the basic principle of supply and demand to set prices on goods and services. This fundamental principle also applies to housing, which is a commodity. It is NOT a human right, a housing law, or enshrined in our Constitution. Imposing rent control is yet another example of government overreach and intervention, immediate gratification with long term unintended consequences. The City of Mountain View implemented rent control in 2016. Its rent prices are the highest in the Bay Area, surpassing San Francisco and up 15% from last year.

Landlords are housing providers, not charitable organizations. Landlords strive to retain good tenants, and most increase rents at a minimal level if at all. Rent control clearly punishes the landlords who look out for the good tenants, while benefiting bad tenants. Rent control encourages abuse of certain rights provided to tenants after they've committed property damage and lease violations. These tenant rights you want to implement offers them peace of mind and freedom from any fears of accountability and consequences.

Is your goal to remove rental properties off the market while the city builds more affordable housing units? New housing units take time to construct. In the meantime, removal of rental properties by landlords will absolutely result in the gradual decrease of housing supply. There are countless examples where this has already occurred.

Your short-sightedness on rent control and expanded tenant protections will ultimately and negatively harm the residents you seek to protect. Vilifying landlords is foolish and counterproductive policy. I advise you to be prepared to deal with the unintended consequences in the years ahead if this ordinance is approved and implemented.

Karen Hillson  
*Landlord*



To: Salinas Housing and Land Use Committee

RE: Proposed Rent Stabilization Ordinance

Date: March 26, 2024

I am writing as a concerned citizen of Monterey County about reversal of the rental registry/rent stabilization/rent control ordinances being proposed and imposed by the Cities of Salinas and Monterey. I do not own rental property and I am not a property manager. However, I have logged 45 years as an adult renter. In fact, I was happily renting for 8 years in the location of my employer until the City of Alameda imposed both, rental registry and rent stabilization/control ordinances. The following year my landlord handed me a lease termination and immediately removed his property from the rental market—forever. Alameda lost 1,500 rental units in the first year of imposing the ordinance and that number did not count units like mine—those that were never accounted for because they were removed permanently from the market before they were swallowed by City’s the imposed regulatory scheme. I have already witnessed the same happening to my friends and neighbors here, thanks to these two Cities’ recent ordinances.

As a marine biologist by profession, the interconnectedness of the natural world is undeniable. I find that use of marine-related analogies sometimes break through the noise and clutter of contentious topics like this one. In that vein, think of a human-made seawall and how a well-intentioned idea concretely implemented can have more harmful unintended consequences than were foreseen.

We have to look no further than our backyard at the seawalls in front of the Tides Inn hotel and the Ocean Harbor House condos on Del Monte Beach. While the seawall structures do as intended – they protect the buildings they were built in front of – they also cause beach loss directly in front of the seawall and they cause increased erosion in adjacent areas of the beach that do not have seawalls. This phenomenon is caused “flanking erosion” and it takes place at the ends and each side of seawalls. Let that term “flanking erosion” sink in for a minute and you will understand why myself and so many are concerned, vocal and adamantly oppose the hard structure of rent control. It will not only cause direct loss of rentals in THAT city’s market, but it will also impact adjacent areas, even if those areas do not implement rent control.

In the face of overwhelming opposition, the City of Salinas passed a rental registry less than one year ago and mandated registration no later than September 30, 2023. My understanding was that the City of Salinas would not undertake the possibility of rent stabilization/rent control discussion until at least one and one-half years AFTER the rental registry data was collected and complete, so as to have a firm grip on the data collected.

Here we are now, just six months post-registration deadline, with little compliance and only a miniscule fraction of the rentals registered. In fact, the registration is so lacking that the City took \$153,000 from the general fund to cover the dismal program compliance. As the matter of fact, per a recent public record request, 6 months after their registration deadline, the city of Salinas has only 1,557 rentals registered as of earlier this month:

**Residential Rental Registration Program Budget**

		Notes
Estimated revenue to be collected	\$ 399,706.00	Expected revenue from the Rental Registration program was estimated at \$400,000. However, expected revenue has not been as projected. The City recently went to Council during its midyear budget process & requested \$153,000 from general funds to cover the deficit.
Expenditures	Salaries and Benefits	\$ 289,706.00 An Administrative Analysts was hired in October 2023. There is currently have a vacant position for a Community Development Analyst and a Part Time temporary employee.
	Maintenance - Software	\$17,100.00 Software proposal is \$17,100 with Avolve. The City is final negociacions to finalize agreement.
	Professional Services	\$42,900.00 Currently working with Monterey College of Law to finalize agreement.
	Other Outside Services	\$50,000.00 Use funds for contracts with partners.
<b>Total Expenditure Budget</b>	<b>\$ 399,706.00</b>	

*There have been a total of 1,577 APN's registered for the Rental Registration Program as of the end of February 2024. Exemptions aren't monitored.*

Also in early March, KSBW reported a similar story for the City of Monterey's mirror rental registry effort revealing poor compliance (KSBW reported that 591 had filed; 70% (414) of those were exempt/non-paying. In doing the math that translates to 177 registrants at \$50 each = \$8,850 of revenue collected to cover this supposedly self-sustaining program's staff, software and expenses.) It should also be noted that the City of Monterey continues to follow in Salinas's footsteps having recently, similarly, taken \$250,000 from the general fund to cover their touted "self-sustaining, stand-alone" program.

Considering the City of Salinas has a population 5.5 times the size of the City of Monterey and exponentially more rentals, this overwhelming lack of participation in Monterey County's two Rental Registry programs does not bode well for either City's General Fund budgets, nor the renters in these cities.

In closing, I ask that you please look at the instances and outcomes of rent control ordinances as occurred in Seattle and our neighboring Santa Barbara, for example. I have included hyperlinks in sentences below for your convenience.

Seattle City Council passed at least 5 new rental laws in 2020, and subsequently [lost 3,400 properties totaling 11,500 rental units by 2021](#). Last year (2023), they reversed course and [did not adopt rent control](#).

[Santa Barbara City Council](#) listened to its community's opposition, the wisdom of [economists](#) and did NOT pass rent control. Instead, they opted for a task force to study it and come up with housing solutions—[one of which was just passed](#) late last year.

Learn from these City Council members' decisions, why they reversed course and opted out. Listen to renters and property owners alike and citizens like myself who actually lived through this as renters, were handed a lease terminations because owners remove their rentals from the market upon imposing regulatory registry and rental ordinances and ultimately had to move two or more hours away from where we work.

Please seriously consider the basic economics of supply and demand as well as the data supporting the fact that these kinds of ordinances help no one – not renters, not property owners, not the health nor viability of a community.

Lastly, there was a very good housing crisis piece on NPR yesterday, March 25, 2024 which covered some good points applicable across the nation. I highly recommend listening.

<https://www.wbur.org/hereandnow/2024/03/25/housing-crisis-austin-texas>

Thank you for your time and consideration of my comments.

Sincerely,

Lori Mazzuca  
Monterey County Resident

HOUSING

# These Californians just got protection from big rent hikes



BY JEANNE KUANG  
APRIL 5, 2024



Bay Area tenants from the KDF Tenants Association protest housing conditions and rent increases outside the office complex that houses KDF Communities LLC's office in Newport Beach on Oct. 26, 2023. Photo by Julie A Hotz for CalMatters



Listen to this article



## IN SUMMARY

Tenants in many new privately owned, low-income units will be protected from double-digit increases. So will some in existing units, after a state committee on affordable housing imposed a rent cap.

*Lea esta historia en [Español](#)*

Many landlords providing new low-income housing in California won't be able to increase the rent on their tenants by more than 10% per year, under a rule imposed this week by a state committee.

The cap, passed Wednesday by the California Tax Credit Allocation Committee, affects all future developments built with the help of Low Income Housing Tax Credits. California awards the federal and state credits to build about 20,000 new units a year; the program is the primary government funding source for private developers to build affordable housing.

The rule is similar to a 2019 state law for other tenants — restricting annual increases to either 5% plus inflation, or 10%, whichever is lower.

The cap doesn't directly protect those living in the roughly 350,000 existing low-income units statewide financed by the tax credits. But officials expect most property owners to comply anyway because they need the state committee's approval to sell the properties, or to get new tax credits for renovations.

Marina Wiant, the committee's executive director, said the committee can't legally impose new rules on developers who have already entered contracts with the government to receive the tax credits.

“We wanted to essentially apply it to all of the tax credit units,” she said. “The general impact to most affordable housing owners and operators is they will comply regardless.”

The cap closes what many tenants have decried as a loophole in state law. [CalMatters reported in December](#) that, during a period of record inflation, the lack of a rent cap in affordable housing allowed landlords of some

of the state's poorest tenants, some of them for-profit developers, to hike rents by double-digit percentages in a year. To qualify for such a unit, tenants need to earn less than local average incomes.

But tenants' advocates aren't fully satisfied with the rule.

Leah Simon-Weisberg, legal and policy director for the Alliance of Californians for Community Empowerment, said low-income renters should instead be protected from being charged more than a certain share of their individual income, similar to other affordable housing programs.

"It's a step in the right direction, but it's not low enough," Simon-Weisberg said. "We need to think about, 'What can the tenant pay?'"

The alliance is working to qualify local ballot measures in five Bay Area and Central Valley cities this fall that would impose further rent caps, of between 3% to 5%.

When state lawmakers passed the 2019 rent cap for most private-market renters to address the soaring cost of living in California, they created numerous exceptions, including newer homes, some single-family homes and, ironically, any affordable housing that has received government subsidies.

That carveout frustrated low-income renters and their advocates who argued the law, known as the Tenant Protection Act, left out those who most needed safeguards against high and frequent rent hikes.

Affordable housing run by public housing authorities is subject to strict federal regulations that prevent tenants from being charged more than 30% of their income. That's not the case in these privately owned, tax credit-funded properties, where restrictions on rent are tied not to each tenant's individual income but to the local median income, a figure calculated by the U.S. Department of Housing and Urban Development each year.

In recent years, high inflation led to median incomes rising. In areas that were already wealthier than their surroundings, this meant the rent ceilings on low-income housing projects went up especially high.

Nine other states already place rent caps on low-income housing, and the Biden administration this week announced a nationwide 10% cap.

California lawmakers considered applying a rent cap to low-income housing last year, but the bill floundered early in the legislative session over concerns raised by nonprofit affordable housing developers. Many of those housing providers, advocates said, had lost rental income when their tenants couldn't afford to pay



during the COVID-19 pandemic, faced rising insurance and operating costs and had kept rents stagnant for much of the decade prior when median incomes hadn't risen.

Under the new rule, landlords in that situation can ask Wiant to waive the cap if a rent increase "is necessary to ensure financial stability or fiscal integrity of the property." The committee can also waive the rule without asking for permission in some circumstances, such as when tenants' incomes go up or they move to a larger unit.

**READ NEXT**



**These Californians live in affordable housing. Why did their rent skyrocket?**  
by [Jeanne Kuang](#)



**Big rent hikes are about to be illegal in California. Here's what you should know**  
by [Matt Levin](#)



**From:** [Zarine Dorabji](#)  
**To:** [andrews@ci.salinas.ca.us](mailto:andrews@ci.salinas.ca.us); [anthonyr@ci.salinas.ca.us](mailto:anthonyr@ci.salinas.ca.us); [tonyb@ci.salinas.ca.us](mailto:tonyb@ci.salinas.ca.us); [orlandoo@ci.salinas.ca.us](mailto:orlandoo@ci.salinas.ca.us); [chrisc@ci.salinas.ca.us](mailto:chrisc@ci.salinas.ca.us); [kimbleyc@ci.salinas.ca.us](mailto:kimbleyc@ci.salinas.ca.us); [lisab@ci.salinas.ca.us](mailto:lisab@ci.salinas.ca.us)  
**Cc:** [Audrey Wardell](#)  
**Subject:** Testimony: Housing and Land Use April 30 Meeting  
**Date:** Monday, April 29, 2024 5:44:17 PM  
**Importance:** High

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**CAUTION:** This message originated outside of the City of Salinas email system. Do not click on links or open attachments unless you are sure the content is safe.

Dear Council Members,

Please take my written testimony into consideration as you deliberate the Rent Stabilization Law. I thank you kindly.

Sincerely,  
Zarine Dorabji  
Owner, Duplex on Eisenhower St., Salinas

Please Consider:

**Rental property owners are a very diverse group. A blanket Rent Stabilization Law may unintentionally harm a substantial amount of owners.** I am a self-employed, single mom with two chronic illnesses and a disability. I am also the owner of a Salinas duplex, currently occupied by tenants. My ability to earn an income as an employee in a post-Covid economy has completely and irreversibly changed. I have grave concern regarding a Salinas Rent Stabilization law which could negatively impact me. I rely heavily on this property as a source of income to provide for myself and my child.

**Property owner expenses are not capped** and come from rental income; this will not remain sustainable if this law passes. Fencing repairs, roofing replacements, aging electrical and plumbing systems, exterior painting, landscaping, appliance replacements, outdated sewer systems, and skyrocketing INSURANCE are all front of mind! tThe escalating costs have no end in sight.

**Providing a legal, safe, clean, updated, and properly managed rental property is a costly and risky endeavor.** It requires knowledgeable oversight, expensive maintenance, extraordinary replacement costs, and a potential to incur substantial legal expenses. Reserves are a necessity for property owners, so that they may account for potential tenant vandalism, evictions, and attorney fees. This is in ADDITION to the other costs of ownership! Rental income must have the ability to cover the expenses of a mortgage, taxes, insurance, management, and maintenance. *Rental income must also be in excess of expenses so that a cash reserve for property costs can be sustained.*

**The Impact of this law on property owners must be mitigated by replacing the 2% cap to a rate that is tied to the current inflation index.** This adjustment is mandatory, if property owners are to have the means to pay for providing safe, legal and affordable rental housing.

**The current housing market does not favor first-time buyers or homeowners,** and this trend may continue a long way into the future. Inflation remains exceedingly high, interest rates are unaffordable, and housing supply remains very tight. Many property owners have very low interest rates, and are unable to sell their property and afford a new one. This is placing a substantial amount of pressure on the supply of available real estate. Rental property owners provide an important housing alternative to families who are not able to purchase their own home. **Salinas renters deserve to have rental property that is properly maintained, managed, and cared for.** This will not be possible if the amount of expenses exceeds the amount of rental income as the years go by.

**The tenants will ultimately bear the result of cost-cutting measures implemented by property owners** if this legislation passes. Tenants will be forced to reside in poorly kept, sub-standard housing, if property owners must resort to cutting costs. Owners will do this by eliminating property managers, deferring maintenance (except for the bare health and safety requirements), and by not investing in any substantial repairs - much less any capital improvements to keep the property pleasant and competitive. In many cases, owners may be forced to sell, further reducing the available supply of rental housing.

**Property owners also have to deal with the excruciating impact of inflation.** Absolutely, I have been feeling the crush of my own increased food, medical, housing, transportation and utility costs. I simply cannot afford to add to these expenses in the event that Salinas Rent Stabilizations laws become untenable for landlords.

**Small landlords, like me, should be exempt from any Salinas Rent Stabilization laws.** The City of Monterey exempts owners of 3 or fewer units from their recently-established rental registration requirements. I have been a fair landlord, I maintain the property, and I pride myself on providing renters with a safe, affordable, updated, and pleasant place to live for themselves and their families. The proposed legislation - as currently written - is going to prevent my ability to continue providing this standard of housing for residents of Salinas.

**As I reside out of state, I am unable to Zoom for the duration of the meeting, or attend the April 30 Housing and Land Use Committee Meeting.**



**From:** [Mickel Construction](#)  
**To:** [PublicComment@ci.salinas.ca.us](mailto:PublicComment@ci.salinas.ca.us)  
**Subject:** Tuesday, March 26, at 3:30pm Salinas Housing and Land Use Committee  
**Date:** Friday, March 15, 2024 2:37:03 PM

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Hello Councilmembers,

I am a resident of Monterey County and I am a renter. I oppose rent stabilization/rent control for the following reasons:

1. Because of data showing how such measures in other cities (Seattle, San Francisco) have negatively impacted availability of quality places to live in those cities
2. Because of the data showing how such measures significantly decreased the number of small mom and pop landlords, who are a vital part of our communities as individuals and small businesses who have dedicated their livelihood to providing housing in the community
3. In my experience as a renter, the owner-operated properties provide a superior quality of housing and service, and maintain a more personal and fair tenant relationship, and having less of these rentals provided by "small" owners negatively impacts renters
4. I have rented several places in Berkeley CA years ago and can attest to how degraded, overpriced and unsafe the rentals were due to the hardship that such regulations put on the building owners
5. The cost of maintaining buildings has increased exponentially since that time and this will lead to even further deferred maintenance if owners can even continue to afford to make ends meet to cover costs, which I fear will lead to out-of-town wealthy developers buying out buildings, from which residents will not be able to afford to rent, while at the same time taking away business opportunities for local residents to be property owners who can provide the essential service of housing

The data is clear that rent control hurts both property owners and renters, and it hurts our communities. Let us not follow in the footsteps of the cities who had to find out the hard way and did irreversible damage to their rental markets.

Please consider this and do not begin rent stabilization in our beautiful community of Monterey County where we all deserve to prosper. Thank you for your consideration.

Sincerely,  
Mallory Mickel

**From:** [Constantine Georgalos](mailto:Constantine.Georgalos@ci.salinas.ca.us)  
**To:** [andrews@ci.salinas.ca.us](mailto:andrews@ci.salinas.ca.us); [anthonyr@ci.salinas.ca.us](mailto:anthonyr@ci.salinas.ca.us); [tonyb@ci.salinas.ca.us](mailto:tonyb@ci.salinas.ca.us); [orlandoo@ci.salinas.ca.us](mailto:orlandoo@ci.salinas.ca.us); [chrisc@ci.salinas.ca.us](mailto:chrisc@ci.salinas.ca.us); [kimbleyc@ci.salinas.ca.us](mailto:kimbleyc@ci.salinas.ca.us); [steveca@ci.salinas.ca.us](mailto:steveca@ci.salinas.ca.us); [lisab@ci.salinas.ca.us](mailto:lisab@ci.salinas.ca.us)  
**Cc:** [Michelle georgalos](mailto:Michelle.georgalos@ci.salinas.ca.us)  
**Subject:** Vote no on further rent controls & regulations  
**Date:** Thursday, May 2, 2024 8:23:50 PM

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**CAUTION:** This message originated outside of the City of Salinas email system. Do not click on links or open attachments unless you are sure the content is safe.

I am reaching out to you regarding the Rent Stabilization Ordinance currently under consideration by the City of Salinas. This ordinance proposes significant changes that could have detrimental effects on landlords and the housing market as a whole. As such Tenants will also be adversely affected. While rent control appears to help tenants in the short term, in the long term it decreases affordability, fuels gentrification, and creates negative affects on surrounding neighborhoods. Below I have listed 5 potential negatives affects which will impact the Tenant, Owner, & the City of Salinas. As a current owner of a 4 unit Apartment building in south Salinas all the units are rented at below market value. Any further controls and regulations will only increase the burden associated with Ownership and will only lead to an increase in rental fees.

1. Decrease in housing stock due to landlords' inability to navigate new regulations or afford housing provision.
2. Annual rental increases burdening tenants.
3. Lack of understanding regarding the high costs of property maintenance.
4. Challenges in recovering funds from tenants who damage property.
5. Potential for a housing crisis similar to that experienced by other cities.

I firmly oppose the Rent Stabilization Ordinance which is being proposed. I will be attending the City Council meeting to voice my concerns. It will be interesting to see how the City Council members decide to vote on this issue.

Constantine Georgalos  
411 Katherine Ave  
Salinas, Ca.

We are a family of five sisters, born and raised in the Salinas Valley and it is home to us. Our properties, two smaller apartment complexes in Salinas, have been in our family for well over 50 years. Our father purchased these properties because he loved Salinas, and it was a way to invest in his community and his future retirement. Our father took care of these properties like they were his own home, and he instilled these values in us. We inherited these properties upon our father's death and instead of selling them and taking the money we chose to continue with his legacy.

We are very concerned about the effects your proposed rent stabilization ordinance will have on our ability to provide the high standard we have maintained all these years for our properties which, in turn, directly benefits our tenants.

Older complexes, like ours, are costly to maintain, requiring constant work and capital improvements. Over the last ten to fifteen years alone we have invested hundreds of thousands of dollars in improvements in each of these properties with plans to continue doing so. Some of these improvements include roof replacements, window and slider replacements, complete exterior painting with new front doors and exterior lighting, landscaping and courtyard renovations, driveway replacements, and patio fencing replacements. Many of these replacements, along with the modernizing of our units with new flooring, appliances, light fixtures, and onsite laundry room facilities are upgraded to more energy efficient items.

As we have all experienced, the cost for just about everything has increased. With these rising costs and your proposal, which will decrease rents, it will become impossible for us to continue to care for our properties and tenants as we always have. Many costs are out of our control. For example, it is incredibly challenging to obtain property insurance coverage. Should one be fortunate enough to obtain insurance, the cost has dramatically increased, even without a claim. Older properties like ours can also be faced with updating electrical, plumbing and heating systems to obtain insurance—which will cost several hundred thousand dollars more.

As property owners we pay for a number of utilities such as garbage, water, sewer, and common area lighting, the costs of which continue to rise year after year.

The proposed ordinance makes it very difficult for us to prudently and judiciously build reserves over several years so that we can be ready for both unexpected repairs and massive capital improvement outlays, without having to seek uncertain approval by the City to carry out this integral part of responsible property ownership.

We are already heavily regulated by the State of California from wage requirements for onsite managers, to health and safety inspections and compliance, to the City's own Rental Registry program. The proposed Rent Stabilization Ordinance is not the first, but an additional layer of burdensome regulatory requirements.

In closing, we cannot stress the impact that your proposal will have on older properties such as ours. The increase in expenses, which are out of the owner's control, and the proposed decrease in revenue, which would also be out of the owner's control, will change how we can take care of our properties and will directly affect the quality we provide our tenants. Like our father, an investment in real estate, much like a job in our working years, allows us an income in our retirement. This is our livelihood. We chose over 30 years ago to continue with our father's legacy but the risks versus the rewards today may sadly force us to reconsider. If that happens, we can only wonder if new owners will care for these tenants and properties to the same degree.

Sincerely,

Sandra D. Heath  
Sally D. Eldredge  
Diane D. Garren  
Debbie D. Vollstedt  
Molly D. Johnson



August 14, 2024

318 Cayuga Street  
Salinas, CA 93901  
**831.754.2444**  
JRGattorneys.com

**Via Email to City Clerk**  
Mayor Craig and Members of the City Council  
City of Salinas City Hall  
200 Lincoln St.  
Salinas, CA 93901

**RE: Rent Stabilization Ordinance**

**PARTNERS**

Paul A. Rovella  
*Managing Partner*  
Jason S. Retterer  
Robert E. Rosenthal  
Jeff R. Gilles  
*Founding Partner*  
Stephan A. Barber  
Peter D. Brazil

Dear Mayor Craig and Councilmembers:

This firm is providing comments on behalf of Kipling Manor LLC (“Kipling”), which owns and operates the Kipling Manor apartment complex at 82 Kip Drive that is generally located adjacent to North Salinas High School. This apartment complex was built in 1976 and would be subject to the proposed Rent Stabilization Ordinance (“Ordinance”). The owners have reviewed the proposed Ordinance and offer the below comments and concerns for the City Council’s consideration.

**ATTORNEYS**

Patrick S. M. Casey  
S. Craig Cox  
Cat Mineo  
Karin E. Richards  
Jacob Yoneda

1. As this Council may already be aware, this owner and other apartment owners who would be affected by the proposed Ordinance are already subject to statewide protections against excessive rent increases and other tenant protections set forth in California Tenant Protection Act of 2019 (AB 1482) (“TPA”), which is a statewide law that went into effect on January 1, 2020. Under the TPA, a landlord may not increase rent by more than five percent plus the change in the cost of living (pursuant to the Consumer Price Index) or ten percent (10%) total, whichever is lower over any 12-month period. The TPA also provides that tenants can be evicted only for “just cause.” “Just cause” means certain specified situations, listed in Civil Code section 1946.2, where the tenant is at fault, such as nonpayment of rent or violation of a material term of their lease. “Just cause” also includes four specified “no fault” situations, all of which must meet the requirements of the TPA:

**OF COUNSEL**

David W. Balch  
M. Allen Hopper  
Natalie M. Lupo  
Ren Nosky  
Ronald A. Parravano

- The property owner is withdrawing the unit from the rental market.
- The property owner or certain family members are moving into the unit.
- The property owner is demolishing or substantially remodeling the unit.
- The unit must be vacated to comply with a law or a court or government order.

The TPA also includes extensive regulations governing (i) a tenant eviction based on an owner move in, (ii) a tenant eviction based on demolition of substantial remodel, (iii) relocation assistance for no-fault evictions, and (iv) strict penalties for violating the rent cap and just cause eviction provisions of the TPA.

Based on these existing and extensive tenant protections, we question the need for a new set of largely duplicative, but more restrictive regulations. We would ask that the Council not adopt a new set of overlapping and more restrictive regulations that will only discourage and disincentivize property owners from investing in and improving these properties.

2. The crux of the City's Rent Stabilization Ordinance is the proposed cap on rental rate increases, which is set forth in Section 17-02.04. However, the version of the Ordinance that is published on the City's website (<https://www.cityofsalinas.org/Residents/Community/Housing-Community-Development/Housing-Policy-Initiatives>) does not identify any proposed or recommended cap on rental rate increases. Accordingly, we cannot specifically comment on the appropriateness of the cap. Moreover, without knowing the proposed cap, it's unclear how the City Council can make the specific finding and determination required in Section 17-02.05 that the cap amounts to a "reasonable rate of return" that will "encourage good management, reward efficiency, and discourage the flight of capital, as well as to be commensurate with returns on comparable investments" pursuant to Section 17-02.05 of the Ordinance. Prior to adopting any proposed Ordinance, the City Council should publish a complete Ordinance that includes the proposed cap so that interested parties and stakeholders have sufficient time to analyze and provide meaningful comments on the cap.

It appears based on the EPS power point presentation that the City may be contemplating a rent increase cap of (2.5%) to two and quarter percent (2.75%) cap or sixty-five percent (65%) or seventy-five percent (75%) of the Consumer Price Index, whichever is lower. However, what is missing from the EPS presentation on the recommended rent cap increase is any analysis of how such a nominal increase in rent meets the objectives set forth in Section 17-02.05 that are noted above. Moreover, the analysis does not account for the foreseeable and expected increase in annual insurance premiums, water fees, wastewater fees, trash disposal fees, maintenance and repairs, and many other fees that will increase the cost of operating Kipling Manor by far more than the rent increase caps that are being contemplated. While this analysis may be set forth in more detail in some other written report that was provided to City staff by EPS, no such report has been made available for public review and comment. At a minimum, the property owners who will be adversely affected and financially burdened by this Ordinance should be provided a chance to review and comment on the data and analysis that purportedly supports this rent increase cap prior to the Council's adoption of the Ordinance.

Intuitively, such a negligible increase is patently unreasonable, provides no reasonable rate of return on an owner's investment in apartment buildings, will deter property owners from upgrading and improving rental units, and will make it challenging to meet financing obligations

that were based on the City's existing rules. Assuming the City or EPS disagrees, we would request the data and analysis that demonstrates that the Ordinance would not impact the production of new rental units within the City.

3. According to the Ordinance, the cap on rental rate increases would be retroactive to December 31, 2023. Making the rent caps retroactive is bad policy, unfair, and would adversely impact property owners who have financed the purchase of apartment complexes and have commenced significant upgrades to these complexes in reliance on the City's existing regulations, which establish no rent control. We would request that any rent caps become effective after the Ordinance is adopted. Any proposed ordinance with such a significant impact should provide ample time to phase in.

4. Section 17-02.07 allows landlords to petition for a rent increase that exceeds the negligible increase that may be provided in the Ordinance for the landlord "to obtain a fair and reasonable return on the Landlord's Property." However, the Ordinance contains no definition of "a fair and reasonable return" or the factors that the City will consider in determining whether a Landlord's proposed increase in rent is necessary "to obtain a fair and reasonable return." We recommend that the Ordinance define what this term means and provide interested stakeholders to comment on this definition prior to adopting the Ordinance.

5. Section 17-02.02 describes various rental units that are exempt from the Ordinance. Section (b)(1) states that rental units exempt from rent stabilization pursuant to the Costa Hawkins Rental Housing Act (CA Civil Code section 1954.52) are exempt from the Ordinance. We assume based on this subsection that vacant rental units fall within this category of exempt rental units and request that City staff clarify that point.

6. Section 17-2.08 allows a Landlord to file a petition to pass through capital improvements, but the Section defers any rules, details, or standards that would apply to any such conditions to some later adopted rules and regulations that the Council "may" adopt at some unspecified future date. Due to the age of Kipling Manor, Kipling must make major upgrades to plumbing due to the age of complex and has plans to upgrade the apartment units and other infrastructure as needed. Kipling's insurance carrier has also identified the need for various improvements that will be costly. Accordingly, the ability of Kipling to petition the City to pass through the cost of these improvements, which will be undertaken for the benefit of the tenants, will be critical. This Section should clearly spell out the process of reviewing a Landlord's Capital Improvement Plan and standards that the City will apply to determine whether the City will approve or deny such pass-through costs rather than deferring it to some future guidelines or rules that the Council may never adopt.

Thank you for considering the above comments on the proposed Ordinance. Based on the current tenant protections provided under the TPA, we believe the proposed Ordinance is unnecessary. If the City intends to move forward with the Ordinance, we recommend that the Ordinance: (1) clarify that vacant units are exempt, (2) be phased in prospectively, (3) establish a

rent increase cap that is commensurate with the TPA, (4) define a “reasonable rate return” should a rent increase cap be less than what is allowed under the TPA and what factors the City will consider to approve or deny a reasonable rate of return, (5) more clearly define the process for petitioning for pass through capital improvements.

Instead of providing disincentives to upgrading and providing modern amenities in older rental housing projects, which only benefit tenants, the City should focus its efforts on incentivizing housing providers by streamlining the permitting process for such projects, reducing permitting fees, and exploring ways to provide greater flexibility in the building and zoning code.

Respectfully Submitted,

JRG Attorneys at Law



Jason S. Retterer

cc: Chris Callihan, Esq.  
Lisa Brinton



## Alexis Mejia

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**From:** chris erekson <christophererekson@gmail.com>  
**Sent:** Friday, August 16, 2024 9:45 AM  
**To:** cclerk; \_district1; \_district2; \_district3; \_district4; \_district5; \_district6  
**Subject:** Opposition to Rent Stabilization Ordinance

**CAUTION:** This message originated outside of the City of Salinas email system. Do not click on links or open attachments unless you are sure the content is safe.

Dear Members of the Salinas City Council,

I am writing to express my opposition to the proposed rent control measures being considered for the City of Salinas. While I understand the intent behind rent control is to protect tenants from rising housing costs, I believe that implementing such policies will ultimately harm the local economy, housing market, and community.

Rent control can have several unintended consequences that may exacerbate the very problems it aims to solve. First, by artificially capping rent prices, property owners may lose the incentive to invest in and maintain their properties, leading to a deterioration of the housing stock. This could result in lower-quality living conditions for tenants over time.

Second, rent control can discourage new construction and reduce the availability of rental housing. Developers and investors may be less inclined to build new housing units or improve existing ones if they are unable to achieve a fair return on their investment. This reduction in housing supply can make it even more difficult for residents to find affordable housing, particularly as demand continues to grow.

Moreover, rent control may lead to unintended consequences, such as discrimination against potential tenants or the conversion of rental units into owner-occupied housing or short-term rentals. These outcomes could further reduce the availability of long-term rental housing in Salinas.

Rather than implementing rent control, I urge the City Council to explore alternative solutions that address the root causes of housing affordability in Salinas. Encouraging the development of more affordable housing units, providing incentives for landlords to maintain and improve their properties, and offering targeted assistance to those most in need are all measures that can more effectively address the housing challenges our community faces.

I believe that with thoughtful and comprehensive policies, we can create a housing market that serves all residents of Salinas without resorting to rent control, which may do more harm than good in the long run.

Thank you for your time and consideration. I hope you will take these concerns into account as you deliberate on this important issue.

Sincerely,

Chris Erekson

Salinas City Resident