

Froschl, Angela

From: Chris W [REDACTED]
Sent: Wednesday, July 22, 2015 6:07 PM
To: _CityCouncilListPublic
Subject: Rent Control

Rent control is not the answer to Santa Rosa's affordable housing crisis, as it does nothing to increase the number of housing units, and unfairly denies some property owners a fair return on their investment. A better solution would be a special rental property income tax of 10% on all collected rent monies for residential housing units, with an exemption for rental units occupied by Section 8 renters, and for designated affordable housing units. The proceeds from this tax could be used to build non-profit affordable housing projects and homeless shelters, as well as create a special emergency rental assistance fund for tenants who require emergency temporary assistance.

Froschl, Angela

From: Robbin Montero [REDACTED]
Sent: Thursday, July 23, 2015 10:50 AM
To: _CityCouncilListPublic
Subject: Rent Control

To the members of the City Council members,

I am writing to you in opposition of rent control. On several levels I don't believe it will be a positive solution to the housing crunch we have in our county/city. As you are aware, supply and demand is the problem. There haven't been enough homes build since 2008 to keep up with the demand, which in turn has caused the escalation of rents. If enough units were available, the cost of rents would naturally drop as competition increases. I don't feel the Government should be involved in private enterprise and the regulation of rents or housing. Since the law would only apply to homes built before 1995, it could lead to landlords not making the necessary repairs to their units due to limited income by rent control, the older units are the ones that need repairs more often. We could end up with properties looking run down and shabby very quickly. Also, from everything I have read in New York and San Francisco where rent control has been implemented, the units under rent control have a very low turn over rate, thus placing a higher demand on newer units who then charge more than the market would normally bare. I believe there are many other steps the city can take to elevate the lack if rentals and appreciate the fact you are looking into these. Please consider the big picture before making rent control an option.

Thank you.

Robbin Montero
Santa Rosa, CA

[REDACTED]

[REDACTED]

Froschl, Angela

From: jho [REDACTED]
Sent: Monday, July 27, 2015 4:21 PM
To: citycoouncil@srcity.org; therealsr@yahoogroups.com; CMOOffice;
kevin_mcallum@pressdemocrat.com
Subject: Rental control

Gee, sorry , folks, you are way behind the curve.

Why the high rental? Easy, high prices for real estate!

Why high prices? Because government wants high real estate prices in order to collect higher taxes.

You look at your fees for the construction of a home, and you will find that those fees alone will require a rental cost of \$750 a month.

It was standard , and is standard today, that the rental income value is determine by the rent multiplier,

Basically, it means that a property that commands a Rental Price of \$1,000 per month , has a value of \$100,000

A \$100,000 home has costs of \$2,000 taxes, or 2%, a reserve for depreciation of 2%, a 2% maintenance cost, and a vacancy allowance 10%,, all together totaling \$16,000 dollars

In example the \$100,000 home would have an income of 12x\$1,000 or \$12,000 and a cost of operation of \$16,000 , or be operating at a loss of \$4,000.

If they had no vacancy they would be netting \$6,000 which is 6% on their investment

Now when you are so blase as to allow a non-profit to build \$250,000 low income homes, I think you should be able to see why it is going to be difficult to lower rentals in a high price market.

The only way I can see that you can lower rental costs is to subsidize the landlord in some manner

Now it might be possible to lease the houses by the city, and then the city rent them out to the lower income at a discount.

But, guess what! Any funds supplied to renters increases the demand for rentals and homes and drives the prices of both up!

You are between a rock and a hard place with no easy solution.

Have fun!

Jack Osborne
[REDACTED]

Froschl, Angela

From: tokoire [REDACTED]
Sent: Tuesday, July 28, 2015 10:27 AM
To: therealsr@yahoogroups.com; citycoouncil@srcity.org; CMOOffice;
kevin_mcallum@pressdemocrat.com
Subject: Re: [therealsr] Rental control

The rent issue is easily satisfied by using existing Section 8 / Housing Authority methods to subsidize low income tenants while allowing owners to recover costs and make a return on their investment. This way government subsidizes the tenants who are in need.

Rent control freezes the rent on a unit with a tenant in place who may or may not be low income. The private property owner subsidizes the tenant--one individual subsidizing another individual who may or may not be in need. You could have a tenant who has more money than the landlord who is subsidizing him/her. If rent control freezes the rent on a unit then the County should freeze the property taxes, PGE should freeze the utility cost, and the City should freeze the water and garbage fees. Why should the property owner be the one to bear the burden?

The concept of rent control is analogous to, for instance, a grocery store that charges a different amount for the same loaf of bread depending upon who is buying it, and that bread price will not increase once it's been established. This is the role of government, not the individual business owner. That should be clear and obvious. The system is in place -- Section 8 --and should be sufficient for those in need. If the system doesn't work then fix it.

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

From: [REDACTED]
To: citycoouncil <citycoouncil@srcity.org>; therealsr <therealsr@yahoogroups.com>; cmoffice <cmoffice@srcity.org>; kevin_mcallum <kevin_mcallum@pressdemocrat.com>
Sent: Mon, Jul 27, 2015 4:21 pm
Subject: [therealsr] Rental control

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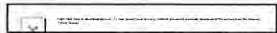
Have fun!

Jack Osborne
[REDACTED]

Posted by: jho [REDACTED]

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Froschl, Angela

From: homegirl [REDACTED]
Sent: Tuesday, July 28, 2015 10:32 AM
To: [REDACTED] citycoouncil@srcity.org;
CMOffice; kevin_mcallum@pressdemocrat.com
Subject: Re: [therealsr] Rental control

A++. Based on my experience with rent control in San Francisco. Only addition from me would be "means testing."

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

From: "tokoire" [REDACTED]
Sent: Jul 28, 2015 10:26 AM
To: [REDACTED] citycoouncil@srcity.org, cmoffice@srcity.org,
kevin_mcallum@pressdemocrat.com
Subject: Re: [therealsr] Rental control

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From: [REDACTED]
To: citycoouncil <citycoouncil@srcity.org>; [REDACTED]; cmoffice
<cmoffice@srcity.org>; kevin_mcallum <kevin_mcallum@pressdemocrat.com>
Sent: Mon, Jul 27, 2015 4:21 pm
Subject: [therealsr] Rental control

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Jack Osborne
[REDACTED]

Posted by: tokoire [REDACTED]

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Froschl, Angela

From: Chris W [REDACTED]
Sent: Sunday, August 09, 2015 1:09 AM
To: _CityCouncilListPublic
Subject: Out of control Rents

Dear Santa Rosa City Council,

There is something fundamentally wrong with a system that allows a person or institution to exploit, for their own financial gain, another person's housing needs. Currently, landlords are allowed to charge whatever they want, and raise the rent whenever they want for however much they want, and their tenants have no choice but to pay it or face homelessness. This is basically extortion. It is immoral, it is despicable, it is wrong, and it should be illegal.

To those who argue that people who don't want to pay rent should just buy their own home, I say that there are not enough available homes for sale for everyone that wants to buy. Much of the housing stock has been bought by investors to be used as rental income generators. Also, many people who want to buy, can't-- because they lack a sufficient down payment, income, or credit score. And some people with sufficient income and credit scores can't save up for a down payment because their rent is so high.

We need to pass a law that everyone has the right to own their place of residence, and that rental property owners must offer their tenants the option to lease to own their housing unit. The property owner would be required to apply a percentage of a tenant's rent toward the purchase price of the unit, which would be negotiated by the owner and tenant. The portion of the rent that is applied to the purchase price would represent an equity share in the value of the unit, which could increase or decrease in value depending on the market. If the tenant moved, they could sell this share to a subsequent tenant. If the property owner transfers the title to a new owner, the tenant's equity would also transfer to the new owner. This would be a fair and equitable solution to the inherent problems of the current system.

Froschl, Angela

From: Rev. Curtis Byrd [REDACTED]
Sent: Monday, August 10, 2015 11:29 AM
To: Sawyer, John; CMOOffice
Cc: Coursey, Chris; ecarlstrom@srity.org; Combs, Julie; Schwedhelm, Tom; Olivares, Ernesto; Wysocky, Gary
Subject: RE: Reassessing Rent Control -- Letter attached
Attachments: Mayor John Sawyer - rent control.pdf

Dear Mayor Sawyer and Councilmembers:

RE: Reassessing Rent Control

Opponents of rent control center their arguments on its economic effects asserting that rent control is inefficient and taking control of properties away from landlords. The attached article discusses “Economic Impact in a Gentrifying Housing Market” and challenges the arguments against rent control, describes:

- a “gentrifying housing market
- **discusses the type of rent regulations that would modernize the problems caused by gentrification and**
- challenges traditional economic criticisms of rent control and demonstrates that such criticisms are inopposite in a gentrifying market.”

This proposal written by *The Harvard Law Review* “is not a complete solution to the housing crisis” but indicates that without “an expanded stock of housing there will be a continued gap between need and supply. Also, without greater equality of incomes there will still be families unable to afford even the lower prices available under rent control.” ^{i[1]}

This scheme proposes combining rent control with:

- warrant of habitability
- eviction restrictions
- a moratorium on condominium conversion and
- residential zoning restrictions

I am hopeful and after careful review the Santa Rosa City Council will reconsider “Rent Control” along with necessary provisions for Santa Rosa. Without your reconsideration “Workforce Housing” will continue to disappear.

Thank you for your time!

Sincerely,

Rev. Curtis Byrd

Rev. Curtis L. Byrd

--

In an attitude of gratitude for all that we have and all that we have been given!

Rev. Curtis Byrd

[REDACTED]

gray-foundation.org

i[1] <http://duncankennedy.net/documents/Housing%20other%20articles/Reassessing%20Rent%20Control.pdf>

Rev. Curtis Byrd

August 10, 2015

City of Santa Rosa
Attn: Mayor John Sawyer
100 Santa Rosa Avenue Rm 10
Santa Rosa, CA 95404

Dear Mayor Sawyer and Councilmembers:

RE: Reassessing Rent Control

Opponents of rent control center their arguments on its economic effects asserting that rent control is inefficient and taking control of properties away from landlords. The attached article discusses "Economic Impact in a Gentrifying Housing Market" and challenges the arguments against rent control, describes:

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- challenges traditional economic criticisms of rent control and demonstrates that such criticisms are inapposite in a gentrifying market."

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Rev. Curtis L. Byrd

¹ <http://duncankennedy.net/documents/Housing%20other%20articles/Reassessing%20Rent%20Control.pdf>

Froschl, Angela

From: Beth Martinez [REDACTED]
Sent: Thursday, August 13, 2015 10:19 AM
To: _CityCouncilListPublic
Subject: Monitored Voluntary Rent Control

On Aug 12, 2015 5:19 PM, "Beth Martinez" [REDACTED] wrote:

MONITORED VOLUNTARY RENT CONTROL--LOOK AT ITEM 6 BELOW!!

I do think the San Rafael version of voluntary rent and building maintenance control could be more effective than the proposed Santa Rosa arbitrary 3% rent control on older buildings.

A 3% limit on rent raise for older rental units may not always be enough for high price of maintaining and rebuilding older buildings such as new roofs, fire alarm system, higher employee compensation, increasing utilities and taxes. Historically such rent control has led to both reduction and deterioration of rental stock.

However,

The City of San Rafael directed staff to the following to address issue of rising residential rents in San Rafael and have been successful as of August 10, 2015

1. Increase supply--finding ways for new housing
2. Improve code enforcement
3. Provide assistance to tenants--mediation
4. Help with tenant employment
5. Continue partnerships for affordable housing

6. MONITOR LANDLORD VOLUNTARY EFFORTS. MONITOR AND REPORT PERIODICALLY ON THE VOLUNTARY EFFORTS BY THE SAN RAFAEL INCOME PROPERTY OWNERS TO KEEP RENT INCREASES AT A REASONABLE LEVEL. THIS WILL REQUIRE CONTRACTING FOR MONITORING SERVICES.

7. Improve management of units

Our city is already doing much of the above, but please look at item 6 Above. Contact me if you would like the whole report and info on the monitoring system.

Beth Martinez, owner of Brookside E. Apartments--72 units-- for years and years and have never given big rent raises--come by and see us--9 to 5 daily



Froschl, Angela

From: jho [REDACTED]
Sent: Friday, August 14, 2015 12:20 PM
To: CMOOffice; _CityCouncilListPublic; [REDACTED]
Subject: housing problems

<http://thehousingbubbleblog.com/?p=9184#comments>

"Almost one-third of California households, 31 percent, can't meet their basic costs of living, this, according to a United Ways of California report. The Census Bureau developed an alternative poverty measure to address the shortcomings of its half-century-old traditional poverty yardstick. Known as the Supplemental Poverty Measure, it shows that California has the nation's highest poverty rate, 23.4 percent.'

'But, while showing a higher poverty rate for California than the old, official measure, the Supplemental Poverty Measure still indicates a lower rate of poverty than does the study from United Ways of California. The difference is likely due to the fact that the Census Bureau only looked at state-to-state housing costs while the United Ways researchers included a far larger basket of goods and services—all of which cost more in California than in America at large.'

'Advocates for the poor would be well-advised to look first to examining policies that create artificial scarcity in housing markets. As with the ongoing student loan/college tuition fiasco, subsidizing demand with taxpayer money without first allowing supply to increase is only a recipe for a costly, overheated market.'

PLEASE TAKE DUE NOTE OF THAT LAST SENTENCE.

Jack Osborne

Griffin, Terri

From: [REDACTED]
Sent: Monday, August 17, 2015 11:25 AM
To: _CityCouncilListPublic
Subject: Attached letter for all Council Members
Attachments: Rent Control letter to City Council.pdf

Hello City Council Members,
I understand there will be a meeting to discuss, consider the issue of rental affordability and the matter of Rent Control. I have attached a letter with our thoughts for your consideration as we cannot attend the meeting...will be out of town that day. Many thanks for your taking the time to read this.
Sincerely, Carol J

CAROL JOHNSON R.E.B.

[REDACTED]

Mr. Rod and Mrs. Carol Johnson

████████████████████
Santa Rosa, CA 95404

August 17, 2015

RECEIVED

AUG 19 2015

CITY OF SANTA ROSA
CITY MANAGERS OFFICE

All City Council Members
City of Santa Rosa
100 Santa Rosa Avenue Room #10
Santa Rosa, CA 95404
citycouncil@srcity.org

All Council Members
Received This

Re: Meeting August 18, 2015 regarding housing affordability
And Rent Control

Dear Members of the City Counsel of Santa Rosa:

My husband and I are submitting this letter as you are currently discussing possible solutions to the need for affordable housing in Santa Rosa and we will be out of town on August 18th. We believe there are policies which can be put in place to solve the problem. This has not happened overnight and will not be solved quickly but it CAN be solved.

This letter is written to ask you NOT to institute 'Rent Control'. We currently own 14 units in Santa Rosa including an apartment building with 12 one bedroom units. It is located at 436 Klute Street (the Olympic Apartments). It was built in 1967 and we have maintained and managed it since 1977 when we purchased it. During this time, we have gained a property owner's prospective and in this letter, will attempt to pass that on for your consideration.

During the time of our ownership, It has taken much time and many dollars to continually upgrade, maintain, repair, clean and re-rent 12 living units. We have done this to fund our retirement.

During this period, there have been many months when rental units were plentiful and to rent our units, we needed to reduce the rent, which we did (*Market forces at work!*). We have employed many people and businesses over the years, ie. Heating/AC, Carpenters, Plumbers, Electricians, Painters, Termite control people, Concrete layers, Carpet installers, Gardeners, Roofers, and handymen together with purchasing materials needed. Rent control would hamper that since we would be unable to redeem our expenses with increased rents. The natural

outcome of this is that buildings eventually become run down..or are sold to someone at a reduced value who doesn't care..is a slum landlord milking the property with little maintenance.

Generally, housing investors don't purchase property under Rent Control , Therefore, everyone's property is devalued for sale puposes. This could cause owners who wish to sell to convert to condos to regain their lost value, further reducing the supply of rental units in our city. All these outcomes do take time but they are sure to occur. Rents will truly become lower only with adequate stores of rentals available. This is called the "free market" system. Supply and demand determine the prices. We see this in our homes for sale. Since there are few on the market, the prices have risen. Have you sold your home lately?...the one you have upgraded and kept up for many years? Is there a government official who might want to tell you how much you are permitted to sell your home for? After all, those without enough to purchase it *should* be able to even if they can't afford it. Their rights are more important than yours.....so your rights are trampled on. Property rights are a key to the success of our society. People purchase here because it is a 'safe' investment. In many other countries, the government just takes whatever they wish. Do we want to live in a country like that? Rent control is a right grabbing form of moving to socialism. The worst thing about it is that it does not ultimately accomplish the desired end which is lower rents for all. With rent control, since there are not adequate units, a government official must choose who gets to rent in the shrinking supply. We see this with the HUD voucher program....a waiting list of 8 years or more. Do we want this in our regular housing also? Only increasing supply will accomplish what is needed.

I have been a real estate broker on my own (Carol Johnson R.E.B.) since 1974 in Sonoma County. I have sold all kinds of property and worked with many builders. Several of the contractors I dealt with in past years, have moved away since the building permits and policies were way too expensive in both money and time. This has gone on in this city's Building and Planning Department as long as I can remember. Policies that discourage development are, in my opinion, the root cause of what we are facing today in Santa Rosa - a town which is underbuilt. I am just thinking about the difficulty many have had in past years who wished to build a granny unit on their property and couldn't because of zoning or ? A fast track to things like this would be very helpful. Individual property owners can build a granny unit quickly if given the permission to do so. I have done enough upgrading and building with licensed contractors to know that I could add a granny to my home in less than 2 months if much of the red tape was lifted!

On to other issues, we must look at the Owner, who, when renting to a tenant considers many issues, including checking the prospective tenant's past, criminal record, previous owners' reviews, their car (clean or beat up?). Do they use drugs or drink overmuch?.. What does the credit report say?

During our management experiences, I hate to say it but many people who cannot find a rental simply are not good prospective tenants and they are the last to be chosen. Owners don't need more headaches. Many who apply to rent would be a problem in our building community. They just aren't responsible in many ways. THESE are the **real** reasons that many cannot rent a nice apartment in Santa Rosa in addition to unaffordability. The natural outcome of not being responsible is that it is very difficult to find a good apartment. Just as trying to purchase a home with a bad credit report doesn't work.

What will it cost for our city to monitor and run this sytem??? If our coffers are full, perhaps we could think about cleaning up our freeway and our roadways which are littered with trash and weeds 3 feet high.

One of our relatives lives in New York City where they have rent control. She has had an apartment next door to the Ritz Carlton and across from Central Park (a fabulous location) for 50 years. Her rent is now about \$800.00 per month. It should be now at least \$4,000.00 per month due to the rare nature of the location. The entire building has become run down over this period of time. Not only that, but many of the others living there are deceiving the owners by moving relatives in to make it seem that the same person lives there even though the true tenant is ill and in the hospital or passed on. So, in order to keep the overly inexpensive apartment, deceit is a part of the picture. Now we see that rent control pits the owner against the tenant...not a good outcome. All the sudden, the vacancy rate goes to nearly zero since no one will move....Moving is the only way an Owner can really raise the rent to compensate for maintenance and upgrading.

Contrast that with our experience. We currently have a number of our apartments considerably lower than today's market would indicate. Our rents today averaged are \$1,015.00 per month per one bedroom apartment. There are trade offs of course. We have decent hard working people there, a nice community so we haven't raised their rent too much...generally 5% or less. If Rent Control is instituted, we will be sure to keep our rents at the maximum allowed as we must to pay for upkeep.

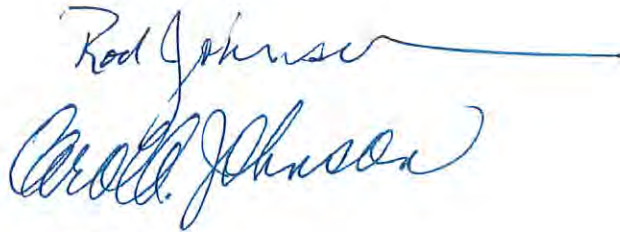
Another outcome in New York's heavy hand on business and entrepreneurs is the departure of businesses from the city. Have you noticed ads on TV enticing businesses to come to New York? They advertise...free business taxes for

10 years! A complete turn around for New York... Perhaps we could make the building of units appealing to investors by putting inspections and red tape on a fast track in our city. Those who provide housing will come when the environment is right. It hasn't been right for many many years...that is why we are facing the shortage today.

My letter is probably jumping around a bit...I am doing this hurriedly as your meeting comes up soon. Believe me, I am not trying to minimize the job you all have to do. I am so thankful that you are there.

Lastly, I would ask you not to take lightly the importance of freedom in the USA...freedom to do with our own property as we see fit. After all, We purchased it to benefit not only our tenants but also ourselves later in life. Decisions matter. Over the long term, we would see unwanted outcomes to rent control as we are today in our rental market due to building decisions made by our city many years ago. The people who are saying "we cannot live here because the rents are too high" do have the freedom option of saying "we will move where we can afford to live". Three of our grown children have done just that. It has been very good for all of them. Some say "don't mess with Texas"...We say "don't mess with our rights and our freedoms" as ultimately, you will lose your rights and freedoms also!

Sincerely,

The image shows two handwritten signatures in blue ink. The top signature is "Rod Johnson" with a long horizontal flourish extending to the right. The bottom signature is "Carol Johnson" with a similar flourish.

Rod Johnson
Carol Johnson

My wife and I have been residents in Sonoma County for over 40 years and have owned rental housing in Santa Rosa and other towns for that long.

I want to address the issue before the city council on rent control or any other name that attempts to artificially place a cap on rent as determined by local government from private property. Rent control may seem as easy way out for you to help the low income families in our community to live here. But it is very short sighted and very damaging to the very same people you think you are helping. It doesn't take a genius to see what has happened to rents in rent controlled cities like San Francisco, San Jose, Berkeley, and Los Angeles. They have skyrocketed. Those rent controlled properties quickly turn to blighted communities because the landlords can no longer afford to make repairs or improvements. Property values fall and do so tax revenues. Social services and crime rise which costs those cities more money. Traffic increases because low income people now have to commute further distances to work. Land lords sell and/or covert their properties into high rent condos. There will no longer be "affordable housing" built because owners don't want their low rent properties in those communities when they can attract higher rents elsewhere.

This is an "affordable housing" issue. That is really a lack of housing issue. Santa Rosa is slowly growing. It is attracting people here to more good paying jobs, a beautiful natural environment, pleasant weather, and close proximity to a major metropolitan area, San Francisco. In the past seven years, this city has approved 6500 new housing units, yet only 2988 have been permitted and **only 300 of these are low income units**. The city of Santa Rosa has excessive costs and fees and restrictive policies so difficult to overcome that builders will not build here. It also has too much empty office and commercial space. This unwise city policy has created a housing shortage. With the economic law of supply land demand, no one should be surprised at the increase in rents.

You have become the target of a small, very loud minority advocating rent control. To them this is the easy answer – stop the greedy landlords from taking their money. Did you know that 80% of Sonoma County landlords own 10 or fewer units? These are people who have placed their savings into something stable like real estate to provide them with a retirement income. During this past recession, my wife and I did not raise rents, even though the market could have handled increases, because we know how difficult it was for working families to pay their bills. I know of other landlords like us who felt the same way. These are not greedy people.

So if you want your town to see a reduced quality of life, even fewer affordable housing units, increased blight and crime and social services costs, and reduced tax revenues, go ahead and pass a rent control ordinance. The real answer is to invite more units to be built by reducing the burden this city has placed on builders and let the supply and demand law do its work. As far as infrastructure to service these new units, the city will have to raise funds buy selling bonds or some other form of tax payer dollars.

Richard Zimmer
Santa Rosa

Griffin, Terri

From: McGlynn, Sean
Sent: Monday, August 24, 2015 8:00 AM
To: Noceti, Catherine; Griffin, Terri
Subject: FW: SR RENT

From: Combs, Julie
Sent: Sunday, August 23, 2015 3:00 PM
To: Combs, Julie; McGlynn, Sean; Sheppard, Suzanne
Subject: Fwd: SR RENT

Fyi

Sent from my Verizon Wireless 4G LTE smartphone

----- Original message -----

From: Brent Lindsay [REDACTED]
Date: 08/23/2015 8:48 AM (GMT-08:00)
To: "Combs, Julie" <jcombs@srcity.org>
Subject: SR RENT

Dear Council Member Combs,

Our organization's board president has been renting a house in Santa Rosa for five years. This past Friday night she told us the rent on her house is raising from \$1400/per month to \$2100/per month. She has made the decision to move out of Sonoma County. Multiple stories like this is already proving very negative for the culture and character of our city, my hometown. People are working multiple jobs to make more money for real estate investors. There is a lot at stake.

Please support Rent Stabilization/ Just Cause Eviction policies in order to reduce the massive displacement currently underhand. We trust you'll do the right thing, thank you.

Respectfully,

Brent Lindsay

--
Executive and Artistic Director
the Imaginists
Theater Office: (707) 528-7554
[REDACTED]

www.theimaginists.org

All Council Members
Received This

RECEIVED
AUG 24 2015
CITY OF SANTA ROSA
CITY OFFICE

August 20, 2015

Mayor John Sawyer
100 Santa Rosa Ave
Santa Rosa, Ca. 95404

Dear Sir,


I do not feel that rent control is in the best interest of Santa Rosa. It is going to create more problems, just look at Cotati.

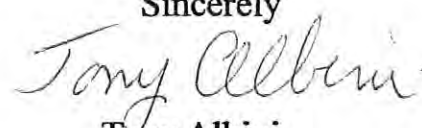
Landlords are being classified as being greedy and overcharging. If anyone is greedy you should look at yourselves. Take a look at the fees and taxes you have imposed and demand when doing business with government. Then there are the "hoops" that you have to jump through to do anything. We do not catch a break.

I guess you folks are short sided and don't remember when landlords could not rent their units a few years back. They gave incentives to attract tenants. I didn't see government coming to my rescue. I didn't see the community demanding any kind of action.

I believe landlords should be able to receive a return on their investments. We are no different than you are and don't expect any more. It is the supply and demand theory.

Do not install rent control as you will see more rent increases. It's just the way it works.


Petaluma, Ca. 94952

Sincerely

Tony Albini

RECEIVED

AUG 25 2015

CITY OF SANTA ROSA
CITY MANAGERS OFFICE

All Council Members

Received This

Dear Mayor Sawyer and Councilmembers,

I operate rental property in Sonoma County and provide homes to many people who live and work in Santa Rosa. I am proud to provide a quality, safe place for people to call home.

No one denies we have a housing shortage. Every day, there are more people seeking housing than we have units available. Clearly we don't have enough housing to accommodate the region's growing demand.

Rent control is not the solution. It will not create more housing nor will it make existing housing affordable. The housing shortage can only be solved by increasing the supply of housing through meaningful public policy.

At your study session on September 1, I strongly encourage you to prioritize the policies and programs that facilitate new housing, help overcome obstacles to development, establish new funding sources for affordable housing, and explore programs that help landlords and tenants understand their roles, rights, and responsibilities.

I appreciate the City Council's collaborative approach to provide meaningful, long-term solutions to our housing challenges.

Thank you for your continued leadership on this important issue.

All Council Members
Received This

Sincerely,

Claudette Burdick

Name

[Redacted]

San Marino, CA 91108

Address

[Redacted]

e-mail

Froschl, Angela

From: Daniel Sanchez <daniels@norbarrealtor.com>
Sent: Tuesday, August 25, 2015 4:59 PM
To: _CityCouncilListPublic
Cc: Griffin, Terri
Subject: To SR City Council
Attachments: rentcontrolreport - final.pdf; 090115-SantaRosa.pptx

Please see the attached two documents to the Santa Rosa City Council. Please provide these documents to the Council members in advance of the September 1st Council meeting on "Rent Control Options."

During the meeting, economist Robert Eyler will be presenting (for 2 minutes) on the study.

Daniel

Daniel Sanchez
Government Affairs Director
North Bay Association of REALTORS®
Office: (707) 324-6610
daniels@norbarrealtor.com

**Rent Control in Santa Rosa
Economic Considerations**

For North Bay Association of REALTORS (NorBAR)

August 24, 2015

**Robert Eyler, Ph.D.
President, Economic Forensics and Analytics
eyler@econforensics.com
707-318-0348**

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Executive Summary

Rent control takes landlord income earned at market-rate rents and gives it to households that now pay lower rent. Three things happen as a result:

- Renters gain income, if their wages grow faster than inflation, which is a positive impact on Santa Rosa's economy (incomes, jobs and tax revenue);
- Landlords lose income, if rents otherwise rise faster than inflation, which is a negative impact on Santa Rosa's economy; and
- Santa Rosa's economy loses in net and property tax estimates suggest that reduced spending on maintenance in housing erodes Santa Rosa's housing stock value over time.

The key is that rent control is net negative on Santa Rosa's economy. Assuming that Santa Rosa's rental households have annual income of approximately \$46,066 in 2015, the amount of income saved on rents rising only by the consumer price index (CPI) for rental units built before 1995 (74.2 percent of the multifamily housing stock in Santa Rosa as of 2013), would be approximately \$11,463,000 annually for Santa Rosa spread across approximately 22,926 housing units.

This is gross income saved by renters, equal to the gross rental income lost for landlords. Many industries, including the major employers in Santa Rosa, are hurt by rent control: construction, health care, restaurants, banking, and many others. The summary, economic losses due to rent control in the City of Santa Rosa's economy are as follows:

- There are three (3) jobs no longer supported annually;
- Business incomes fall by \$4,445,300 annually;
- Local property tax revenues fall by \$171,600 annually.

The property tax loss implies a loss of assessed land value. The \$171,600 loss is the same as 50 new housing units built at an increased, assessed value of \$343,200 per unit. Property tax losses may affect school funding and also imply that the construction industry will lose income and jobs, part of the analysis above. While it is true that new housing units are not subject to rent control, the estimated economic losses suggest rent control discourages new construction and encourages deferring maintenance on current properties.

Without more homes built, the undersupply problem that causes rental prices to rise remains; such lack of building and maintenance has negative implications for the value of Santa Rosa's housing stock over the long term. Three recommendations come from these conclusions:

- Partner with landlords on rent ascension through incentives;
- Work with builders to create more units, which will naturally alleviate the excess demand issue in the short to medium term;
- Recognize rent control ordinances have regional implications and partner with other cities on regional, not just local, solutions.

Rent Control in Santa Rosa, California Economic Considerations and Implications

Introduction

Rent control is a classic, case study from economics of how government regulation changes buyer and seller behavior in markets to create what an economist would call a “social loss”.¹ Rent control may also change incentives toward building more housing units to the negative, which can make housing shortages worse.

By holding rents down or forcing them to fall, governments that set rent controls try to provide household savings and also reduce the “burden” of rent (percentage of a renter’s monthly income paid to rent), but also reduce landlord incomes. Renters trying to rent a vacant unit with rent control use time and money simply to gain access to the vacant units, hence the social loss: those people could have spent that time and money on something more productive. Landlord losses of revenue may lead to deferred maintenance, reducing the value of Santa Rosa’s housing stock.

Rent control is a price control, either stopping prices from increasing or reducing prices in a market. Urban areas have rent control in many instances due to excess demand conditions that drive rental prices up. Rent control ordinances exist in other places in the Bay Area. The California Department of Consumer Affairs provides a current list of those cities that have rent control ordinances in the Bay Area as of 2015:

- Berkeley;
- East Palo Alto;
- Fremont;
- Hayward;
- Los Gatos;
- Oakland;
- San Francisco;
- San Jose; and
- Richmond.²

As an example, the San Francisco Rent Board provides information on rent-control rules. Because it is an ordinance not applicable to the entire housing unit “population” in San Francisco, the effects on non-rent control units need to be considered also (see [San Francisco Rent Board](#) for more). For Santa Rosa, we assume any multifamily units built before 1994 would be affected initially.³ Rents can increase by growth of the consumer price index (CPI), but not faster than CPI growth under a rent control ordinance.

We will need a figure for average rent (think of this as the average price of a rental unit) and the quantity of housing units rented.⁴ Once the data are in place, the effects on household spending, increased investment in rental housing, and other economic outcomes can be

¹ See <https://www.nmhc.org/Content.aspx?id=7244> for a simple summary of the literature on rent control and also see Downs (1996) for a seminal analysis.

² See <http://www.dca.ca.gov/publications/landlordbook/appendix2.shtml> for the list. Richmond recently passed an ordinance that does not show up on the DCA list.

³ See <http://www.sfaa.org/pdf/CAA-Insights-Costa-Hawkins-Rental-Housing-Act.pdf> for an overview of the Costa Hawkins Act and why properties built before 1995 are the focus of these ordinances.

⁴ Rent Jungle (see www.rentjungle.com) claims to survey millions of units in the area covered, which include the 10-mile radius around Santa Rosa, California, San Francisco, Oakland, and San Jose as comparisons.

examined. Local decisions on rent control made in Santa Rosa may lead to regional effects on Rohnert Park, Petaluma, and other cities in Sonoma County. Regional effects are also discussed below.

We start with a brief overview of how a market for apartment rentals would react to a rent control ordinance to introduce the issue.

Initial Considerations

Rent control ordinances come from two basic ideas. One is that rents go up too fast and some renters can no longer “afford” rent. Such a change can be seen as hitting some groups more than others. Age, ethnicity/race and females as heads of households with children are examples.⁵

The second is that such an ordinance can have broader, positive effects. The Department of Housing and Urban Development (HUD) provides estimates of "fair" market rents that are meant to monitor rent-setting practices such that they are non-discriminatory. There are consumer gains from slowing down the growth of rents, especially for those on fixed or slowly-moving income levels. These gains can become ripple effects that touch local retailers, personal services industries (hair and nail salons), auto dealers, and many other businesses that serve local residents rather than businesses.

However, there are economic losers from rent control, specifically landowners and landlords. When rents are pushed or held down by ordinance, so is revenue for these businesses. Other costs landlords face will not necessarily fall or grow more slowly than general inflation (consumer price index or CPI) as a result of rent control. Like consumer gains in reverse, a reduction of landlord revenue can lead to deferred maintenance, a reduction in services and supplies purchased, and lower overall demand for workers in the trades. The negative, ripple effects become job and income losses for the broader economy beyond the consumer gains.⁶

Rent control may also reduce the value of owned homes. The rationale is that the movement between renting a home and homeownership is a decision between two choices. As rents rise, the cost of homeownership is not as daunting to a potential homeowner. As prices for homes for sale rise, those that cannot afford to purchase a home end up seeking a rental. Because there are few substitutes for rental or ownership (short of homelessness or government-subsidized housing), these two markets play off of each other. If rent control were passed in Santa Rosa, some households would delay purchasing a home in hopes of gaining access to a rent-control apartment. This is why most rent-control ordinances are rare in suburban areas, (where the housing mix is generally skewed toward single-family, owned properties).⁷

The next section is a brief discussion of basic rent control ideas and how academics view this issue.

⁵ See Sims (2011) for a discussion of demography and redistribution of rent control benefits and costs in Massachusetts as a case study.

⁶ In a supply-constricted market, cities are sometimes called to lower entitlement fees to create incentives for building new housing and moderate excess demand. Rent control can reduce these incentives due to a reduction of the return on such investment for current and prospective building owners.

⁷ One of the challenges in this report is to identify the scale of the rental market place. Apartment and multifamily rental are relatively easy to track, but there is likely a single-family home submarket that is difficult to track without more in-depth, primary research. However, because there are likely more rental units than multifamily, we can say the estimated economic benefits and costs here are conservative.

Rent Control Basics

Price controls are part of almost every introductory economics course. Rent control is one such example. Such regulation is a governmental attempt to reallocate benefits toward consumers (renters) in a market when using a price control. Necessarily, sellers in that market (landlords) trade revenue with consumers to provide these benefits.

Because of this government intervention in a market, there is a phenomenon called a "benefit-seeking" or social loss.⁸ People spend resources to gain access to vacant, lower-priced apartments under rent control, and end up wasting resources when they do not get the vacant apartment (think 100 people applying for one vacancy because rent is held below-market).

Without government intervention, such losses do not exist; prices naturally adjust to where supply meets demand. A price increase is exactly what rent-control proponents want to avoid; price increases reflect more demand than supply in a market. Rent control, like any price control, creates excess demand conditions perpetually for housing units priced in such a way. Figure 1 shows a basic supply and demand graph from introductory economics, similar to Glaeser and Luttmer (2003).

Certain areas of Figure 1 have a special place in the rent control story; Figure 1 is meant to provide a picture of what happens to apartments that fall under rent control. The triangle formed by the line at P^* and the demand curve is what is known as consumer surplus (CS), which equals the sum of areas A, B and C. This is what the renter gets as a benefit from paying price P^* and perhaps being willing and able to pay more (as the demand curve shows). The triangle below the P^* line formed by the supply curve is known as producer surplus (PS), which equals the sum of areas D, E and F. This area is what landlords get for renting at price P^* and being willing and able to rent at lower prices. The sum of these two surpluses is the social welfare (benefit to society) of this market's operations. This is an important starting point as $A + B + C + D + E + F$ in Figure 1 represent the total benefits for Santa Rosa from rental units that are subject to rent control.

When the price is held down at P_{RC} , there is a trade of benefits from landlord to renter, equal to area D in Figure 1. The consumer receives this amount of as additional surplus due to the lower price. The two triangles labeled C and E are the benefit-seeking losses, or what society loses due to forced, lower prices in a market. Consumers spend resources to gain at least one of the scarce, few units (Area C), and producers lose due to lower revenue from the same units (Area E). As a result, renters and landlords both lose something, but renters gain in net while landlords lose in net.

The literature mainly investigates the gains and losses from rent control as a misallocation of resources. The misallocation concept comes from renters changing how they value apartments under a rent control ordinance, which slows down incentives to move into being a property owner; the after-tax cost of rentals are forced down versus a market-derived, after-tax cost of home ownership.⁹

When a household is considering how they will spend their money on being in a home, cost is a major concern. Rent control distorts the rental market by providing "housing services"

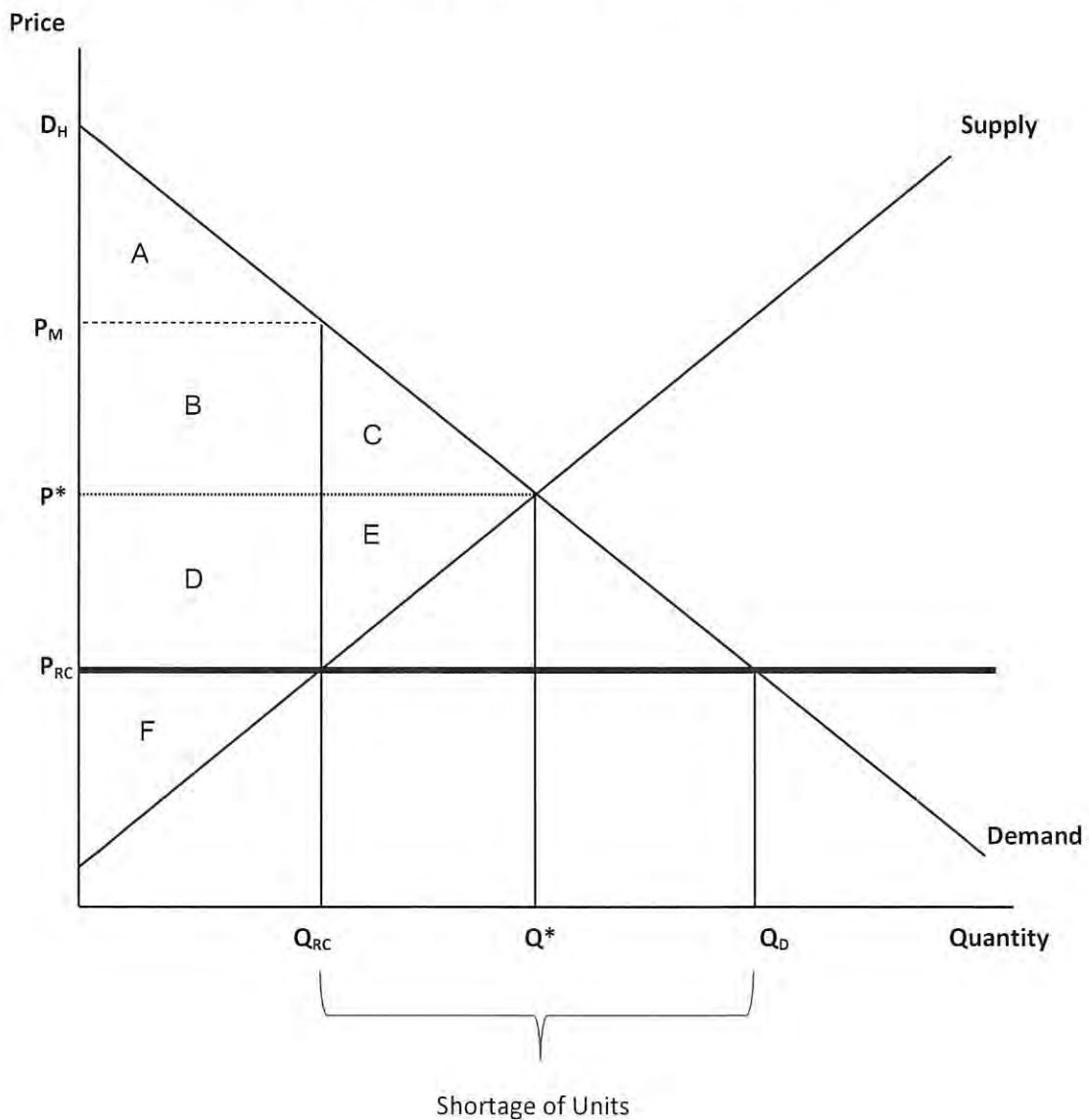
⁸ In economics, this is also known as a "rent-seeking" loss, where economists refer to benefits derived as "rents" in some cases. To avoid confusion, we will refer to this as a benefit-seeking loss; for purists, this is the same as classic rent-seeking losses.

⁹ Glaeser and Luttmer also suggest that area A in Figure 1 exacerbates the welfare loss because of a misallocation of resources to those that can pay more to gain access to a rent-control apartment, but we will not make the same case here.

at a level below what the market would otherwise pay for in an attempt to provide more theoretical access to housing markets. If a household is indifferent between rental and homeownership, the availability of rent control housing can tip household decisions toward rental and away from market-rate rental and homeownership.

Because the return on investment will not be as large per unit due to a rent control ordinance, investment -- both to maintain and build -- in apartments falls. Further, if there were general excess demand conditions, rental units not subject to rent control would rise in price and exacerbate the exact problem trying to be solved. These effects begin the broader impacts of rent control on the local economy, and can have regional effects based on demand to live in one area shifting to another area based on a lack of local supply.

Figure 1: Basic Supply and Demand Ideas: Rent Control



Tables 1 and 2 provide estimates of gross rent and other indicators of residential rental markets. The last five years have shown growth in terms of median rent pricing, which have

follows the growth of housing prices as demand has increased during and after the recent recession. Given the list of cities above that have rent control ordinances, rent control in specific counties does not limit regional rental price growth, and may accelerate it as discussed due to migration toward market-rate rental due to a lack of supply and choice. For example, rents in San Francisco have gone up over 100 percent, almost \$2,000 increase since 2010.

Table 1: Housing Unit Data, Number of Units, Vacancy Rates, 2010, Selected Areas

| Data | California | Alameda | Contra Costa | Marin | San Francisco | San Mateo | Santa Clara | Sonoma | Santa Rosa |
|--|------------|-----------|--------------|---------|---------------|-----------|-------------|---------|------------|
| Gross Rent (Average of ACS and Rent Jungle) \$ | 70,933,861 | 4,778,426 | 2,344,217 | 828,807 | 5,896,037 | 2,221,959 | 4,840,596 | 820,058 | 275,539 |
| % of Total Units for Rent (ACS) | 40.5% | 42.9% | 29.1% | 34.7% | 59.5% | 37.5% | 39.1% | 35.4% | 41.9% |
| Median Rent (ACS) \$ | 1,147 | 1,188 | 1,270 | 1,523 | 1,328 | 1,443 | 1,402 | 1,201 | 1,141 |
| Median Rent (Rent Jungle) \$ | | 1,826 | 1,826 | 1,844 | 1,844 | 1,844 | 1,605 | 1,386 | 1,386 |
| Vacancy Rates (DOF) % | 8.1 | 6.4 | 6.2 | 7.2 | 8.2 | 4.9 | 4.4 | 9.2 | 5.6 |
| Vacancy Rates (ACS) % | 5.0 | 5.8 | 6.5 | 3.1 | 5.4 | 4.2 | 3.4 | 5.1 | 4.5 |
| Population | 37,253,956 | 1,510,271 | 1,049,025 | 252,409 | 805,235 | 718,451 | 1,781,642 | 483,878 | 167,815 |

Sources: Rent Jungle (www.rentjungle.com), American Community Survey (factfinder.census.gov)

Table 2: Comparison of Housing Unit Data, Number of Units and Vacancy Rates, Selected Areas, 2015 (ACS, 2013)

| Data | California | Alameda | Contra Costa | Marin | San Francisco | San Mateo | Santa Clara | Sonoma | Santa Rosa |
|--|------------|-----------|--------------|-----------|---------------|-----------|-------------|-----------|------------|
| Gross Rent (Average of ACS and Rent Jungle) \$ | 75,695,768 | 8,121,254 | 3,920,579 | 1,346,388 | 10,101,895 | 3,754,064 | 7,508,172 | 1,008,791 | 345,978 |
| % of Total Units for Rent (ACS) | 43.3% | 45.5% | 33.1% | 36.2% | 61.7% | 39.4% | 41.6% | 38.0% | 45.3% |
| Median Rent (ACS) \$ | 1,224 | 1,289 | 1,365 | 1,628 | 1,488 | 1,602 | 1,566 | 1,265 | 1,244 |
| Median Rent (Rent Jungle) \$ | | 3,718 | 3,718 | 3,803 | 3,803 | 3,803 | 2,829 | 1,861 | 1,861 |
| Vacancy Rates (DOF) % | 8.1 | 6.1 | 6.1 | 5.9 | 5.3 | 4.9 | 4.0 | 8.9 | 5.3 |
| Vacancy Rates (ACS) % | 4.9 | 4.3 | 5.2 | 3.4 | 3.7 | 3.1 | 3.1 | 4.8 | 4.7 |
| Population | 38,714,725 | 1,594,569 | 1,102,871 | 258,972 | 845,640 | 753,123 | 1,889,638 | 496,253 | 173,071 |

Sources: Rent Jungle (www.rentjungle.com), American Community Survey (factfinder.census.gov)

A ripple effect (economic impact) comes from the net gains or losses of a rent control ordinance. Below is an estimation of what that difference may be given the relative size of Santa Rosa's rental market, the number of units built before 1995 that are multifamily, and the median income levels of renter in Santa Rosa as of 2014.

The current size of the rental market, as based on units and average rental price, is a key part of understanding what benefits are redistributed and what becomes the **direct** effects of

rent control below. Under rent control, the transfer from landlord to renter triggers additional economic gains and losses for Santa Rosa and Sonoma County.

Economic Impacts

To calculate the potential economic impact of rent control, we need to find numbers that represents the **direct** economic impact. The idea of economic impact is based on the economic interconnections in the local economy. For example, new income earned for an apartment landlord becomes earnings for maintenance workers, trades workers, general contractors, plumbers, electricians, and workers in many other industries. As those workers begin to spend their wages, new incomes leads to further effects called **indirect**. The indirect effects add more income and jobs supported that affect many other businesses and households. As additional households are affected, through both income and job growth, **induced** effects begin to grow in the regional economy.

The induced effects spread across all sectors of the economy and leave very few businesses and households untouched. The sum of all three major categories is the total impacts. Further, there are also local, state and federal tax consequences of these new incomes and jobs such that the public sector is also affected by positive changes.

These ideas also work in reverse. When a business suffers a loss of income or a negative change, there are fewer incomes and thus less job support in the regional economy. If an industry becomes regulated or recession affects incomes negatively, the economic impacts are negative. In this case, there are both happening to different parts of the economy, which net to a positive or negative effect.

Logic to Determine Direct Effects

New spending for renters with reduced rents depends on a few assumptions, especially the renter's income and the number of rental units in play. The questions to answer to understand the direct effects of rent control are:

1. What is the average income of those affected by the ordinance?
2. What is the spending pattern of those households?
3. What is the true "savings" that would come to these households?
4. How much of that spending would be in the local area such that the local area received these benefits?

Initially, an equivalent amount of income would be lost by local property owners as gained by renters as described in Figure 1. Beyond the CPI change that is allowed to increase rents under a rent control ordinance, the suppression of rental cost for households is also suppression of income generated by local property owners as "businesses". The public sector also loses and gains, the net effects of which depend on two major items:

- 1. The net gains and losses in local sales tax revenue due changes in spending; and**
- 2. Potential changes in property tax revenue based on reduced number of new residential housing units and higher assessed land values due to rent control.**

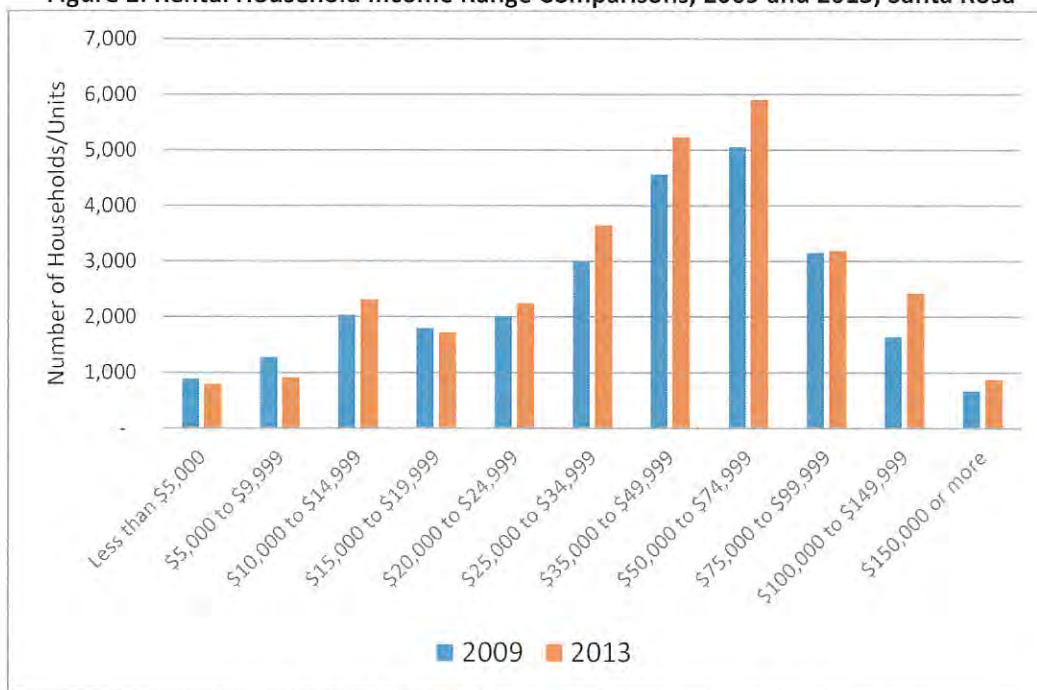
As household incomes rise, and renters could afford higher rents, they do not have to if they live in a rent control apartment. Personal income in Santa Rosa has a trend since 2005 of income growth of 2.5 percent per year (see www.bea.gov for more data), and median

household income in 2013 was \$43,847.¹⁰ Figure 2 shows the distribution of income ranges for those that are renting in 2009 compared to 2013. Figure 2 shows that incomes increased since 2009 for renters due to the recent economic recovery.

We can use median household income of \$43,847 for Santa Rosa’s rental households as a baseline for 2013. Assuming that median household income were to increase at 2.5 percent annually (using the slower trend to remain conservative), that would put median household income at approximately \$46,066 in 2015 for renters in Santa Rosa. According to the Census 2000, the number of rental units occupied was 22,280 that were built before 1995. With a vacancy rate of 2.9 percent in 2000, this implies 22,926 total rental units as counted by Census 2000 that were built before 1995. See <http://factfinder.census.gov> for more on ACS and Census 2000 data.

In 2013, the Census Bureau estimates that Santa Rosa has 46.6 percent of its occupied housing units rented, equal to 29,251 units occupied. The number of vacant units for rent is 1,623 to bring the current total to approximately 30,874 potential, rental units.¹¹ By using Census 2000 data on units built before 1995 as the basis for setting rent control in Santa Rosa, the number of household potentially affected would be 22,926 divided by 30,874 or **74.2 percent** of rental units in Santa Rosa.

Figure 2: Rental Household Income Range Comparisons, 2009 and 2013, Santa Rosa



Source: factfinder.census.gov (American Community Survey)

Assuming incomes grew faster than the consumer price index, households would save on rent and landlords would lose revenue. Together, these changes would have conflicting economic impacts on Santa Rosa’s economy.

¹⁰ See <http://factfinder.census.gov> for more data and potential comparisons to other cities and towns. The growth rate of median household income can be found at <http://factfinder.census.gov>; the growth of personal income for the Santa Rosa metropolitan statistical area is found at www.bea.gov.

¹¹ Since there is no official data from Census on this for 2015, we use these data for this analysis.

Initial Impacts: Household Gains and Landlord Losses

Per the figures above, we can use the 2013 estimate of rental housing occupied, the growth rate of median household income, and the 2013 estimate of renter household income for Santa Rosa to project forward to 2015. These data determine what may be gained for the typical household as a result of rent control. The steps in the estimate are as follows:

1. \$46,066 as the median income for rental households in Santa Rosa from the American Community Survey's baseline in 2013 of \$43,847 and the progression of personal income in Santa Rosa at 2.5 percent per year since 2005 in inflation-adjusted (real) terms;
2. Assuming real growth of 2.5 percent holds, renters would earn an annual, gross income increase of \$1,151;
3. Rent payments are, in 2013, an average of 43.5 percent of median household income (American Community Survey), which implies that of the estimated \$1,151 increase in income, we can say the market may price rents up by 43.5 percent of that value or approximately \$500 year is now saved by renters in rent-controlled units;
4. The number of rental households in structures built before 1995 is 74.2 percent of the population of rental units, which suggests that the overall gain in potential spending (before taxes and savings), is $\$500 \times 22,926$ households = **\$11,463,000** assuming full occupancy.
5. Because we do not know the taxability of rental household's income well, or savings patterns, we will focus on the "gross" rental savings by these households, as this is also the gross rental income lost by landlords for rent-controlled units.

Because of the reciprocal nature of these initial gains and losses, we will look simply at the \$500 of gains/losses as the gross. If the CPI rises faster than median household income for renters, the gains and losses would be smaller. The comparisons and net effects would remain the same if incomes were to rise or fall; the magnitudes of the changes would be different, but the conclusions about the economy overall and renters gaining while landlords lose would not change.

Landlords spend money on goods and services like any other business. When landlords lose income, or have income growth suppressed, it will also suppress their spending; the logic is the same as the new income available to households due to the redistribution of resources. Tables 3 through 5 show what is lost instead for the Sonoma County economy.

Using \$11,463,000 as a beginning, the following set of tables provides the broader, positive impacts of this savings, including the additional tax revenues. The following tables show how these gains are spent in the Sonoma County economy, starting in Santa Rosa and rippling out. For the renters, there are more leakages to other parts of Sonoma County and beyond than for businesses. This is another reason why there are net losses to the Santa Rosa economy as a result of rent control.

These tables show the industries affected as well. The industries affected range from personal services and retail, which gain due to the renter gains in income, to the trades, medical services, financial services, and other services that have mixed effects because both landlords and renters use these businesses for everyday life. This is a classic outcome of redistributing income from businesses to households; the "multiplier" effects are not as large as stimulating businesses directly.

Notice that in Tables 3 through 5 and in Tables 6 through 8 that there are some easy comparisons to make. Because the gain in gross income for households that rent will be the same as the rental loss for landlord based on rent control, we can compare net jobs change, net business income change, and net tax revenues change directly.

Table 3: Employment Impacts: Annual Jobs No Longer Supported due to Rent Control

| Industry | Total |
|--|--------------|
| Landlords and Owners of Rent Control Units | 69 |
| Maintenance services to buildings and dwellings | 2 |
| Employment services | 1 |
| Bars and Restaurants | 1 |
| Construction and maintenance trades | 1 |
| Legal services | 1 |
| Waste management and remediation services | 1 |
| Architectural, engineering, and related services | 1 |
| Medical and Dental Offices | 1 |
| Banks and Credit Unions | 1 |
| Investment Banking | 1 |
| All Others | 4 |
| Totals | 84 |

Table 4: Economic Impact, Landlord Lost Income, 2015, Annual

| Industry | Total |
|---|---------------------|
| Landlords and Owners of Rent Control Units | \$11,824,700 |
| Banks and Credit Unions | 183,400 |
| Construction and maintenance trades | 139,900 |
| Waste management and remediation services | 137,200 |
| Rental Gains for Landlords outside Rent Control Units | 131,800 |
| Maintenance services to buildings and dwellings | 112,900 |
| Legal services | 84,900 |
| Bars and Restaurants | 81,500 |
| Wholesale trade businesses | 67,400 |
| Private hospitals | 58,800 |
| Employment services | 58,600 |
| All Others | 1,009,900 |
| Totals | \$13,891,000 |

**Table 5: Local Tax Impact: Landlord Lost Income
Annual, 2015 Dollars**

| Type of Tax | Amount |
|------------------------------------|------------------|
| Employment Taxes | \$11,800 |
| Sales taxes | 276,700 |
| Property taxes | 245,900 |
| Personal Income | 138,200 |
| Other Taxes and Fees | 72,300 |
| Total State and Local taxes | \$744,900 |

Further, we should not expect there to be any additional, public-sector gains than fees assessed on landlords to pay for rent control compliance; there will be public sector costs of monitoring any rent control ordinance once in place. The additional fees paid by the landlords' payments to local government exacerbate the losses shown in Tables 3 through 5. The economic impacts of household gains are shown in Tables 6 through 8.

The smaller leakages and larger multiplier effects from landlords rule the day and the net effects are negative, as shown in Table 9.

Table 6: Employment Impacts: Additional Jobs Supported by Rent Control Household Annual Income Saved by Rent Control, Sonoma County, 2015

| Industry | Total |
|---|--------------|
| Bars and Restaurants | 8 |
| Medical and Dental Offices | 6 |
| Private hospitals | 4 |
| Real estate establishments | 4 |
| Wholesale trade businesses | 4 |
| Nursing and residential care facilities | 3 |
| Department Stores | 3 |
| Grocery Stores | 3 |
| Individual and family health services | 2 |
| Private household operations | 2 |
| Auto parts stores | 2 |
| All Others | 40 |
| Totals | 81 |

Table 7: Economic Impact, Household Gained Income, 2015, Annual Gains

| Industry | Totals |
|---|--------------------|
| Hospitals | \$817,200 |
| Wholesale trade businesses | 810,400 |
| Real estate establishments | 774,300 |
| Medical and Dental Offices | 765,700 |
| Bars and Restaurants | 518,600 |
| Banks and Credit Unions | 405,500 |
| Outpatient Services | 251,300 |
| Nursing and residential care facilities | 231,300 |
| Drug Stores | 216,900 |
| Investment Banking | 207,400 |
| Telecommunications (Cell Phones) | 199,000 |
| All Others | 4,248,100 |
| Totals | \$9,445,700 |

Table 8: Local Tax Impact: Households Gained Income Annualized, 2015 Dollars

| Type of Tax Receipts | Amount |
|------------------------------------|------------------|
| Employment Taxes | \$8,300 |
| Sales taxes | 66,600 |
| Property taxes | 74,300 |
| Personal Income | 99,000 |
| Other Taxes and Fees | 48,200 |
| Total State and Local taxes | \$296,400 |

Table 9 provides a summary of the comparative costs and benefits to the greater Santa Rosa economy. The reader can see these as a general algorithm for rent control that follows Figure 1 directly in terms of the transfer of gains and losses between renters and landlords and the spillover effects on the rest of the economy. One caveat with these results is that they are dependent on the growth of rents, the growth of household income, and the median household income of renters. Table 9 does not include the net effects on home sales due to rent control.

Table 9: Comparative Results from Economic Impact Analysis, Annual Gains and Losses

| Economic Impact | From Renter Income Gains | From Landlord Income (Losses) | Net Gains (Losses) |
|-----------------------|--------------------------|-------------------------------|--------------------|
| Direct Effects | \$11,463,000 | (\$11,463,000) | \$0 |
| Total Effects | | | |
| Jobs (Full-Time) | 81 | (84) | (3) |
| Business Incomes | \$9,445,700 | (\$13,891,000) | (\$4,445,300) |
| Tax Revenues Total | \$296,400 | (\$744,900) | (\$448,500) |
| Property Taxes | \$74,300 | (\$245,900) | (\$171,600) |

Notice that the spillover effects are net negative for Santa Rosa, as predicted from theory. These results do not include the benefit-seeking losses described in Figure 1 or potential changes in construction of new residential units, for either rental or homeownership. The public sector also loses revenue annually based on the net slowdown in incomes. The true outcome of Table 9 is that by transferring income from landlords to rental households, the local economy will lose some economic stimulus, which includes property and sales tax growth.

Effects on Other Housing Markets and Construction Efforts

We can think of the above analysis as a reflection of how rent control would affect “operations” of rental households and landlords.¹² There are offsets based on gains and losses of income on each side of these operations. From landlord, builder and homeowner standpoints, rent control ordinances of any kind may act as reduction of incentives and return on investment (ROI) on building new housing units or owning a home.

Multifamily Units

If market-rate rents climb in such a way that the gap between rent-controlled and market rents rises faster than renter’s income gains after consumer price index (CPI) inflation, some renters will wait for a rent-control vacancy and perhaps share housing units rather than purchase. Rent control ordinances splits up markets and choices for renters because lower rents are just one more rent-control vacancy away. As a result, those with lower incomes may not be competitive for rent-control apartments if time or money is needed to apply and go through the process of gaining access to the vacancy. For builders, if fees (impact fees, permit costs, etc.) to build new rental units are rising as ROI is flattening or falling, thus building will slow down.

¹² See Arnott and Shevyakhova (2013) for more on this topic the conclusion that there is an efficiency loss for landlords short of preparing for new tenants.

*Units for Sale*¹³

When builders consider demand, they need to consider how new units may attract those currently renting. This is also true for those that own a home; if home prices slow down locally due to rent control apartments being available, homeowner wealth will also slow down. There are two points here:

1. The existence of rent-control units may delay potential homeowners from making the choice to shift from rental to ownership;
2. If market housing prices rise, this choice becomes more difficult as there is a wealth infusion needed to move from rental to homeownership which further delays home purchase decisions.¹⁴

For local land owners and builders, either of these markets can begin a similar ripple effect in the negative throughout the trades, real estate agency, and other affiliated markets. This choice is also regional. Rental and ownership markets in Windsor, Petaluma, and Rohnert Park will be affected by rent control in Santa Rosa because excess demand (which causes the price ascension in the first place) may now seek housing in other Sonoma County locations. Rents will begin to rise in other cities (sales and property taxes also if new market-rate building takes place elsewhere), shifting gains from rental markets from Santa Rosa to other Sonoma County cities. For example, Table 9 shows a net loss of \$4.45 million in business revenues for Santa Rosa that may become similar gains for Petaluma. Such gains also imply a shift of sales and property tax revenues to other cities based on the income shifts.

Table 9 also provides an estimate of property taxes lost in net due to the economic impacts of rent control. If we assume property taxes are one (1) percent of the assessed value of a property, this net loss can be used to estimate a reduction in additional assessed value of land that is lost, or might otherwise have happened (due to new construction or home sales at higher prices) but for rent control. If we assume for each new unit that would have been built otherwise increases the tax roll by \$343,200 per housing unit, the property tax loss in Table 9 implies a loss of 50 new housing units that would not be built due to rent control. This is how rent control can affect the housing supply and the amount of tax revenue from new homes being built.

Conclusions and Recommendations

Rent control creates problems for local economies while trying to solve social problems. There are gains and losses, as well as economic gains and losses. This study focused on economic gains for renters and parallel losses for landlords. The theory is relatively straightforward. When a government stops prices from rising in markets, the local economy loses in net. Landlord losses are redistributed when government imposes rent control to people who rent. Slowing down rents from growing has a social benefit: it slows down the burden of housing costs on households if renters' incomes are not rising faster than inflation. Those that cannot afford to live locally might move, and such a change can have effects on demand for governmental services, on employers looking for workers, and other costs to the

¹³ See <https://www.nmhc.org/Content.aspx?id=7244> for more on this issue.

¹⁴ See Autor, et al. (2014) for more on these two issues, expanding the misallocation theme discussed earlier. Also see Ambrosius, et al. (2015) for a simple literature review and another take from rent control in New Jersey.

local economy. Rent control does not necessarily affect the lowest-income populations by controlling rent ascension; renters may use their income to gain access to a vacant rent-control apartment and may simply enjoy the gains at incomes higher than the median income level. This misallocation of resources is the essence of the social loss described in Figure 1.

The political rationale for rent control is obvious, as are the economic losses. This report shows that the net loss comes from the multiplicative effects on the Santa Rosa economy on lost jobs, lost business incomes, and lost tax revenue. Assuming there is approximately \$11,463,000 in gains for renters under rental units that would fall under an ordinance, estimated gains in renter income, and current proportions for rent as a percentage of income, each year there would three (3) fewer jobs supported in Santa Rosa, over \$4.4 million less in business revenue, and over \$171,000 in lost property taxes for Santa Rosa. Santa Rosa would also lose sales taxes due to reduced economic activity in net. If renter incomes are larger at the median, if rents are a smaller proportion of renter income for market rents, or the number of rental units affected is smaller, the net effects get closer to even. The key is not the amounts of losses per se, as these amounts can change; it is the net, negative effects overall.

The effects are regional; cities such as Windsor, Rohnert Park and Petaluma may gain business incomes, tax revenues and jobs because homebuilding shifts to areas that do not have rent control. Further, other markets may see more rental price pressure because demand shifts from an area with lower vacancy to where vacancy exists. Construction of new multifamily or single-family homes may also slow down as a result of rent control. Renters may wait to buy due to rental costs being controlled and lower or people may potentially combine households to further save or wait for rent-control unit vacancy or both. Landlords will have an incentive to defer maintenance because of reduced income on the units affected, which affects housing values.

The following are three recommendations to consider, based on the literature on rent control and the Santa Rosa example.

- Partner with landlords on rent ascension through incentives;
- Work with builders to create more units, which will naturally alleviate the excess demand issue in the short to medium term;
- Recognize local decisions have regional implications and partner with other cities on regional, not just local, solutions.

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David P. Sims (2011) "Rent Control Rationing and Community Composition: Evidence from Massachusetts," *The B.E. Journal of Economic Analysis & Policy*, 11(1): 1-28

Data Sources:

There are three sources of data as to the rental and ownership mix when considering the direct effects of a rent control ordinance.

1. The first source is the Census Bureau, which does an annual estimate since 2005 of housing market dynamics for relatively large suburban and larger urban areas as part of the American Community Survey (ACS). This dataset acts as a bridge between the ten-year Census data collections to provide annual data that builds a time series for the Census variables. Data from Census 2000 allowed a more focused look at units for rent built before 1995 than more recent Census and ACS data. These are all found at <http://factfinder.census.gov>.

2. The second source of data is the California Department of Finance, which tracks housing units and the population in specific categories of housing. This set is counted at the county and city level and has data that go back as far as 1990. This dataset categorizes housing stock into single-family units, duplex, and multifamily otherwise.

3. Rent Jungle: www.rentjungle.com

The price data, as shown above, are not easy to match up to the housing units. However, if we think about average pricing as similar to what "Demand" would be, and the number of rental units and housing units available in the market for sale in a market setting, we can approximate how the two markets would react in terms of value.

Also, the Bureau of Economic Analysis has data on personal income for Santa Rosa as a metropolitan statistical area (MSA). See www.bea.gov for more.



RENT CONTROL IN SANTA ROSA ECONOMIC CONSIDERATIONS

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The Basics



- Renters gain income, if their wages grow faster than inflation, which is a positive impact on Santa Rosa's economy (incomes, jobs and tax revenue);
- ✦ Landlords lose income, if rents otherwise rise faster than inflation, which is a negative impact on Santa Rosa's economy; and
- ✦ Santa Rosa's economy loses in net and property tax estimates suggest that reduced spending on maintenance in housing erodes Santa Rosa's housing stock value over time.

Simple Numbers



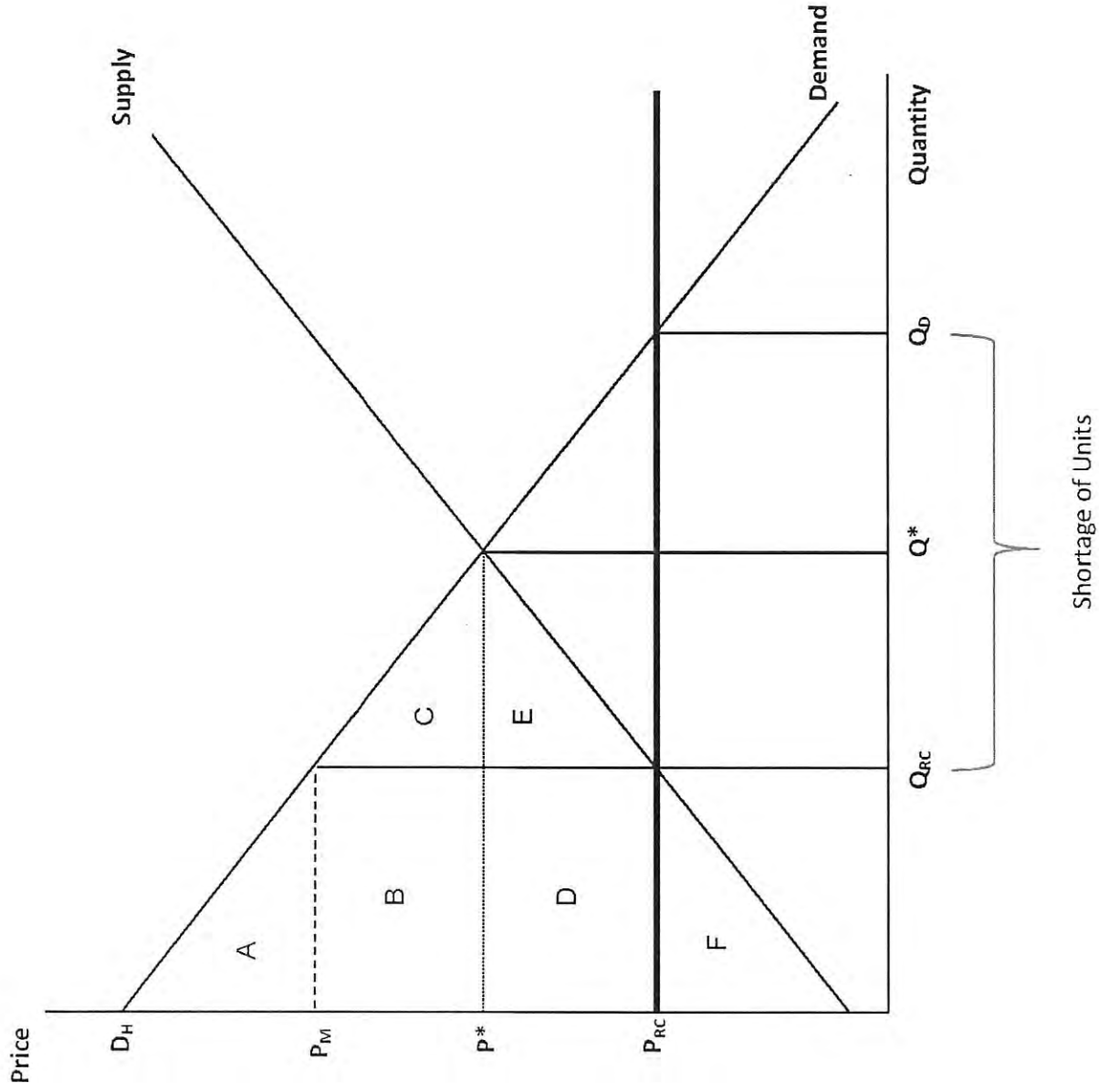
- Median Household Income for Renters = \$46,066
- 22,926 possible units according to Census
- 2.5% real growth of household income (mix of wages and other income): possible progression of wages
- Rent ascension by the consumer price index (CPI) only under potential ordinance
- +\$11,463,000 = saved by households
- -\$11,463,000 = lost by landlords
- Net negative on Santa Rosa economy, not net zero

Economic Impacts



| Economic Impact | From Renter Income Gains | From Landlord Income (Losses) | Net Gains (Losses) |
|--------------------|-----------------------------|----------------------------------|-----------------------|
| Direct Effects | \$11,463,000 | (\$11,463,000) | \$0 |
| Total Effects | | | |
| Jobs (Full-Time) | 81 | (84) | (3) |
| Business Incomes | \$9,445,700 | (\$13,891,000) | (\$4,445,300) |
| Tax Revenues Total | \$296,400 | (\$744,900) | (\$448,500) |
| Property Taxes | \$74,300 | (\$245,900) | (\$171,600) |

Figure 1: Basic Supply and Demand Ideas: Rent Control



“Misallocation” of area
A means fewer homes
built and sold: property
taxes lost

Recommendations



- Partner with landlords on rent ascension through incentives;
- Work with builders to create more units, which naturally alleviate excess demand in the short to medium term;
- Recognize local decisions have regional implications and partner with other cities on regional, not just local, solutions.