

April 16, 2019

Assemblymember David Chiu
Capitol Office, Room 4112
Sacramento, CA 94249

RE: AB 1482 (Chiu): Rent cap – SUPPORT IF AMENDED

Dear Assemblymember Chiu:

SPUR supports a package of bills that address protection, preservation and production of all levels of housing, and therefore supports Assembly Bill 1482, which would impose a to-be-determined maximum percent annual rent increase. Please see below for our thoughts on several aspects that should be further developed.

SPUR (San Francisco Bay Area Planning and Urban Research Association) is a member-supported nonprofit organization that promotes good planning and good government. We bring people together from across the political spectrum to develop solutions to the big problems our cities face. With offices in San Francisco, San Jose and Oakland, we are recognized as a leading civic planning organization and are respected for our independent and holistic approach to urban issues.

Current state law protects tenants from rent increases over 10% when an emergency has been declared. AB 1482 would further protect California renters from large rent increases as a result of the ongoing housing emergency that could drive them from their homes. Around the state, some renters report receiving rent increases doubling their rent in a single month, leaving no feasible way for them to afford to remain in their homes. AB 1482 would remedy this situation by setting a maximum percentage for rent increases based on a Consumer Price Index formula.

It is critical to note that AB 1482 does not impose rent control, but simply guards against the most drastic and disruptive rent increases in places where tenants have no other protections. The bill would cover all rental units, except units currently covered by local rent control, deed-restricted affordable housing, dormitories and other units that have more restrictive requirements. It also would prohibit a landlord from terminating a lease in order to avoid this requirement. This bill would affect all rent increases after March 15, 2019.

SPUR supports protections for tenants across the state. It is also critical to ensure that this bill is reasonable and does not deter the construction of new housing or discourage ongoing maintenance of the existing stock. We urge you to pay close attention to setting a reasonable

numerical cap on the annual rent increase. The Turner Center and CASA have recommended that for an emergency period of 15 years, no landlord should increase rent by more than CPI plus 5% in any year of tenancy. We suggest that you conduct further research to ensure that this is the right number.

In addition, the cap on rent increase should apply to the renter, not the unit.

Pass-throughs, banking and capital improvements are also key. If rent has declined or if a landlord has not increased rents for several consecutive years, landlords should be able to bank those unused rent increases for 3-5 years. When drawing upon banked rent increases, landlords should not be allowed to increase rents more than 10-15% annually. A landlord should be able to pass through actual operating expense increases, including water and sewer, wastewater, trash, electric and gas using industry standards such as the RUBS system (Ratio Utility Billing System). The costs of capital improvements inclusive of a 4% return on investment that are necessary to maintain the building(s) with reasonable upgrades and maintenance items to address health and safety, should be allowed to be passed through to tenants on an amortized basis, per IRS standards.

Lastly, we suggest that the rent cap sunset on a set date. The CASA process resulted in a recommendation that a rent cap be put in place for 15 years. At that time, the impacts of the rent cap on the overall housing market should then be studied before granting an extension of the rent cap.

Thank you for your work to make California a place where more people can afford a high quality of life.

Sincerely,



Alicia John-Baptiste
President & CEO

CC: The Honorable David Chiu, Chair, Assembly Housing Committee
Members and Consultants, Assembly Housing Committee