

**City of Burbank**

**California Elections Code Section 9212 Report on Impacts of an “Initiative to Add a New Chapter to the City of Burbank Municipal Code Establishing a Rent Stabilization and Tenant Protection Program in the City.”**

**September 2020**

**Management  
Partners**





# Management Partners



September 23, 2020

Mr. Patrick Prescott  
Community Development Director  
City of Burbank  
275 E. Olive Avenue  
Burbank, CA 91502

Dear Mr. Prescott:

Management Partners is pleased to transmit this report containing our analysis of the proposed Measure RC to add a new chapter to the Burbank Municipal Code which would establish a rent stabilization program in the City of Burbank. The “Burbank Rent Stabilization and Tenant Protection Act” (Measure) would add just cause eviction provisions, rent regulations, and a revised Landlord-Tenant Commission with authority to implement and administer a rent stabilization program. State law allows the City Council to receive a report about various impacts of the proposed measure to help inform staff, policy makers and the electorate as they consider the measure. It is now scheduled to be on the ballot on November 3, 2020.

This report provides our analysis of the proposed measure in accordance with California Elections Code Section 9212(a) as well as answers to questions posed by Council members at the August 7, 2020 City Council meeting. Our analysis also includes fiscal impacts on the City of Burbank.

It is difficult to predict the overall impact of rental regulations on the housing market. Objective analysis of this issue shows that the housing market is heavily regulated at the state and local level, and thus is subject to both positive and negative externalities that impact the market. The “free market” conceptualized in most economic literature does not exist in the real world of real estate development, ownership, or tenancy.

Yet a market does exist, and if one looks at rental housing, pricing does adjust to the myriad of factors impacting the market. But this can take time. In the Great Recession rental rates diminished by about 10% between 2008 and 2010 in Burbank. Since 2011 and until 2020, rental costs in Burbank steadily increased by a factor higher than general price level increases (inflation). Now rent levels are decreasing due to the COVID-19 recession.

Measure RC is complex, as are the impacts of rent regulation. The reality of this topic, as many studies of this issue have concluded, is much more nuanced than the rhetoric surrounding the matter often is.

Measure RC is an example of what the literature often calls “second generation” rent stabilization programs. These are different from older approaches because they tend to allow rents to increase over time, but in a controlled manner. They typically do not apply to new units, offer decontrol after a vacancy occurs, and protect tenants from eviction except for a just cause. Several California cities have adopted these types of regulations in the last few years due to concerns about large rent increases and housing shortages.

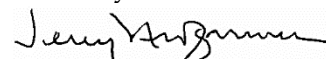
The evidence shows that such programs can offer tenants a more stable environment, but perhaps also induce some reductions in units on the market for rent and some decrease in maintenance. On balance there are no dramatic impacts and little to no impact on housing development.

What may not always be appreciated when this issue is considered at the local level is the extent to which existing state law dictates the outcome. California state law provides for vacancy decontrol and the law includes some features that limit the degree to which cities can effectuate rent stabilization or control.

The most interesting thing about Measure RC may not be the measure itself (which sets up a regulatory system not unlike a number of other places in the state including Los Angeles), but the fact that state law may change in the same election that Measure RC will be considered, and the fact that it was written to anticipate these changes. Specifically Proposition 21, also on the November 3 ballot, would replace the state law that has required vacancy decontrol and exempted single-family homes, condominiums, and all units built since 1995 with looser restrictions. It would put in place a more limited version of vacancy decontrol and eliminate the blanket exemptions for single-family homes, condominiums, and housing units built between 1995 and 2005.

Measure RC anticipates this potential change and directs that the Landlord-Tenant Commission shall issue rules and regulations to govern rental restrictions on units previously exempted. It is impossible to predict what the Commission will do if Proposition 21 passes, but Measure RC contemplates action, and indeed compels it. In most other rent regulations, in other areas of the state, a city council or similar local agency will have to revisit the current exemptions through legislative action should they wish to regulate currently exempt properties. Therefore, if Measure RC passes along with Proposition 21 there is the potential for Burbank to have broader rent regulations, sooner, than perhaps anywhere else in the state. If nothing else, this is sure to create an issue that will consume the City Council and City staff’s time and attention.

Sincerely,



Jerry Newfarmer  
President and CEO



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## Table of Contents

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<b>Executive Summary .....</b>	<b>1</b>
Summary of Impacts.....	1
<i>Fiscal Impact .....</i>	<i>1</i>
Other Unique Provisions of Measure RC .....	5
<b>Project Approach.....</b>	<b>6</b>
Provisions of California Elections Code Section 9212 (a) .....	6
Project Approach.....	7
<b>Background .....</b>	<b>8</b>
City Housing Information.....	8
Rent Control Limitations Under State Law .....	10
Overview of Burbank Measure RC.....	14
<i>Unique Measure RC Provisions .....</i>	<i>18</i>
<b>Fiscal Impacts.....</b>	<b>21</b>
Comparative Agency Budget and Staffing.....	21
Burbank Staffing.....	24
Impacts on Renters and Property Owners.....	27
<i>Impact on Maintenance .....</i>	<i>27</i>
<i>Impact on Property Values .....</i>	<i>28</i>
<i>Requirement for Relocation Payments.....</i>	<i>29</i>
<b>Other Impacts Required by California Elections Code Section 9212 (a) .....</b>	<b>31</b>
Effect on the Use of Land .....	34
Effect on the Availability of Housing.....	36
<i>Affordability of Rental Housing .....</i>	<i>36</i>
<i>Loss of Rental Housing.....</i>	<i>37</i>
<i>Renters Remaining in Place.....</i>	<i>39</i>
Effect on Rental Housing Development.....	39
Effect on the Location of Housing .....	39
Effect on Ability of City to meet its Regional Housing Needs .....	40
<b>Conclusion.....</b>	<b>43</b>

## Tables

---

Table 1. Burbank Rental Units .....	8
Table 2. Burbank Housing Information .....	8
Table 3. Burbank Projected Residential Multi-Family Units .....	9
Table 4. Tenant Protection Act (AB 1482) Exemptions Summary .....	11
Table 5. Summary Comparison of Statewide Rent Control Legislation .....	13
Table 6. Major Elements of Measure RC .....	15
Table 7. Summary Comparison of Rent Control Legislation .....	16
Table 8. Mid-Size Rent Stabilization and Tenant Protection Programs.....	22
Table 9. Mid-Size Rent Stabilization Program from FY 2020-21 Annual Budgets .....	22
Table 10. Rent Stabilization Program Staffing Levels.....	23
Table 11. Recommended Program Staffing and Annual Budget for the Burbank Rent Stabilization Program .....	26
Table 12. Relocation Payments in Burbank and Peer Cities.....	29

## Figures

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Figure 1. Burbank Growth (Housing Units, Population, Households) Since 2000 .....	10
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## Executive Summary

The City of Burbank retained Management Partners to prepare a report that analyzes the impacts of a proposed ballot measure (Burbank Rent Stabilization and Tenant Protection Act) in accordance with the provisions of California Elections Code Section 9212(a) and in response to questions posed by the Burbank City Council at their August 7, 2020 Council meeting. The Burbank Rent Stabilization and Tenant Protection Act (Measure) will be on the November 3, 2020 ballot for consideration by Burbank voters. The proposed measure would amend the Burbank municipal code to add Chapter 5 which adds just cause eviction provisions, rent regulations, and a revised Landlord-Tenant Commission (Commission) with authority to implement and administer a rent stabilization program.

This report contains Management Partners' analysis and identifies the resulting impacts we believe the City may experience if the proposed measure is approved by the voters. Management Partners specializes in providing analysis and management consulting for local governments; however, we do not provide legal advice. Accordingly, this report does not make any representation about legal interpretations of the proposed measure. Advice from legal counsel should be sought for application of the proposed measure to specific issues or cases.

### ***Summary of Impacts***

A summary of our analysis regarding the impacts the measure may have on the City is provided below.

#### **Fiscal Impact**

The direct impact to the City will be the cost to implement and administer a rent stabilization program. We have provided a conservative estimate of the cost for implementing and operating the rent stabilization program based on the experience of other mid-sized California cities that have similar rent stabilization ordinances. Our estimate of start-up costs is \$1,800,000 which must be advanced to the program by the City under the terms of the measure. The program cost includes the need for additional

staff, operating costs, office space, and software applications to support the database required for a rent stabilization program. In addition, annual operating costs would be roughly \$3,913,000 plus the amount to be repaid from the start-up costs.

The costs are designed to be offset by fees to be paid by landlords estimated at slightly more than \$200 per unit per year, depending on how many rental units are eventually covered by the program. Exact program costs may be higher. The costs will be driven by the number of rental units under the program based on policies ultimately decided by the Landlord-Tenant Commission and the number of rental units covered as allowed by the state law in effect following the election.

Beyond administrative costs, other fiscal impacts such as those on future property tax revenue are varied and depend on the overall housing market as well as many factors that have not yet been decided. Measure RC and The Rental Affordability Act, State Proposition 21 on the ballot in November, may have a cumulative impact on the rental housing market in the City of Burbank.

A University of Southern California (USC) study stated that “while it is reasonable to assume that property values are diminished by rent regulations, research on the issue is mixed.”<sup>1</sup> The Legislative Analyst’s Office did not identify a specific impact of the reduction of property values due to Proposition 21 but commented that the impact on real estate prices “may amount to a reduction in property tax revenue of tens of millions of dollars statewide.” Measure RC is not the same as Proposition 21 so this comment may not be germane; nonetheless, Measure RC may add to the impact of Proposition 21 in Burbank if it passes. At this time there is little consensus regarding the impact of rent stabilization programs on property values.

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<sup>1</sup>Pastor, Carter and Abood; “Rent Matters: What Are the Impacts of Rent Stabilization Measures?”; University of Southern California Dornsife Program for Environmental and Regional Equity; October 2018, page 13



Impacts under California Elections Code Section 9212(a)

1. ***Consistency with General Plan and Housing Element.*** The measure does not amend the General Plan or Zoning Ordinance and would therefore not cause any internal inconsistencies with the General Plan and zoning. The Housing Element has no specific references to rental housing or rent stabilization. The degree to which it may affect the City's ability to meet the housing needs identified in the Housing Element is addressed below under Land Use and Housing.
2. ***Land Use and Housing.*** Rent stabilization ordinances with an exemption for new housing and vacancy decontrol have not been found to have an impact on the construction of rental housing.

The City's strategy for meeting its housing needs is based, in part, on private redevelopment of existing developed land. The costs of relocation under the measure may have some impact on the financial feasibility of private redevelopment. However, the costs of relocating tenants would not significantly increase the total costs of a higher density residential development project.

The measure would benefit existing tenants by reducing increases in rent over time relative to market rents. Lower income tenants who are generally disproportionately burdened by rent have less economic room to address rent increases in excess of their rise in incomes and are most at risk for displacement when rents are rising faster than incomes.

Rent stabilization has been found to lead to the loss of some rental housing due to owner move-in, condominium conversion, and demolition. Tenants under rent stabilization remain in place longer on average than tenants in uncontrolled units. Renters who might be displaced by increasing rents are able to remain in the community.

Renters who might ordinarily move due to a change in personal circumstances also tend to remain rather than move to market-rate units. The units these tenants are remaining in are older than 25 years and therefore tend to be relatively more affordable than newer units. This means that there are fewer units, and especially fewer older, relatively affordable units available for people who might like to move to Burbank (or relocate within Burbank).

Because rent stabilization ordinances with an exemption for new construction and vacancy decontrol have not been found to affect rental construction, the measure is not expected to have a significant effect on the City's ability to address its share of regional housing need. However, these exemptions could change based on changes to state law (Proposition 21 on the November ballot), as the measure does provide that the Landlord-Tenant Commission shall issue rules and regulations relating to previously exempted units. As noted above, the cost of relocation may have an impact on the feasibility of private redevelopment, but that impact would be small.

3. ***Infrastructure Impacts.*** The proposed measure would have no direct impact on transportation, schools, public facilities or infrastructure. The measure would have an indirect impact on these public facilities to the degree that it increases or decreases revenue for the development and maintenance of these facilities as described under the Fiscal Impact section above.
4. ***Business Attraction, Retention and Employment.*** Studies have not found that rent stabilization ordinances lead to a pattern of disinvestment in rental properties or significant deterioration in the housing stock that would discourage businesses from locating in a rent-stabilized community.

Rent stabilization would allow existing local employees who might be displaced by increased rent to remain in Burbank near their employment, thereby benefiting some businesses. Due to conversion and longer tenancies, there would be less of the older, comparatively affordable units available for Burbank employees who would like to move to Burbank to be near their jobs. Because many people who work in a community in a metropolitan region do not live in that community, the marginal loss of housing opportunity that might occur due to rent stabilization would not be expected to affect business location decisions.

5. ***Vacant Land.*** The measure should have no impact on vacant land.
6. ***Agricultural Lands, Open Space, Traffic Conditions, Business Districts and Revitalization Areas.*** The measure would not have an impact on agricultural or open space lands. It would not have an impact on traffic congestion or existing business districts. To the small degree the ordinance may affect the feasibility of private redevelopment, it would have an impact on areas designated for

revitalization if those areas were planned for significant amounts of rental housing as part of a revitalization strategy.

### ***Other Unique Provisions of Measure RC***

Among 23 California cities with comprehensive rent stabilization and tenant rights programs, Measure RC has some provisions that are unique:

1. ***No explicit exclusion of single-family homes, including condominiums.*** Measure RC does not provide an explicit exclusion of single-family homes, including condominiums, from rent stabilization. If both Measure RC and Proposition 21 pass, single-family homes and condominiums could be regulated where the property owner meets certain criteria and/or has more than two properties.
2. ***Vacancy decontrol.*** Measure RC does not specifically provide for vacancy decontrol. It relies on current state law, which does provide for it. If Proposition 21 passes, however, then new rents upon vacancy will allow a 15% increase over three years under the provisions of Proposition 21.
3. ***Powers and duties and autonomy of the new commission.*** Measure RC proposes a new section of the municipal code ordinance; it is not a City Charter amendment. Some of the powers and duties of the proposed newly reformed Landlord-Tenant Commission appear to conflict with elements of the City Charter by limiting authority of the City Council in specific areas. Measure RC both makes the Commission a component of the City government and grants it autonomy from the City Council and City management. These provisions will ultimately have to be addressed and reconciled by legal counsel.

The remainder of this report goes into more depth in each of the areas discussed in the Executive Summary. The report is organized into the following sections:

- Project Approach
- Background
- Fiscal Impact
- California Elections Code Section 9212(a)
- Conclusion

## Project Approach

### ***Provisions of California Elections Code Section 9212 (a)***

Chapter 3 “Municipal Elections” of Division 9 “Measures Submitted to the Voters” of the California Elections Code includes the various procedures that municipalities must follow when submitting initiatives to voters within a jurisdiction. Article 1, “Initiative,” spells out the procedures that must be followed when an initiative petition is circulated in a city.

Section 9212 of the Elections Code allows the City Council the opportunity to obtain a report on the impacts of the initiative as they pertain to eight specific areas. Elections Code Section 9212 provides:

- a) *During the circulation of the petition, or before taking either action described in subdivisions (a) and (b) of Section 9215, the legislative body may refer the proposed initiative measure to a city agency or agencies for a report on any or all of the following:*
  - 1) *Its fiscal impact.*
  - 2) *Its effect on the internal consistency of the city’s general and specific plans, including the housing element, the consistency between planning and zoning, and the limitations on city actions under Section 65008 of the Government Code and Chapters 4.2 (commencing with Section 65913) and 4.3 (commencing with Section 65915) of Division 1 of Title 7 of the Government Code.*
  - 3) *Its effect on the use of land, the impact on the availability and location of housing, and the ability of the city to meet its regional housing needs.*
  - 4) *Its impact on funding for infrastructure of all types, including, but not limited to, transportation, schools, parks, and open space. The report may also discuss whether the measure would be likely to result in increased infrastructure costs or savings, including the costs of infrastructure maintenance, to current residents and businesses.*
  - 5) *Its impact on the community’s ability to attract and retain business and employment.*

- 6) *Its impact on the uses of vacant parcels of land.*
- 7) *Its impact on agricultural lands, open space, traffic congestion, existing business districts, and developed areas designated for revitalization.*
- 8) *Any other matters the legislative body requests to be in the report.*

The Code further indicates that this report must be presented to the City Council no later than 30 days after the election official certifies the sufficiency of the petition to the City.

At its August 7, 2020 City Council meeting, the Burbank City Council directed staff to gather information on the impact of the petition. This report provides information required by Section 9212, and other information requested by Council during that and previous meetings on the topic.

### ***Project Approach***

Management Partners' project team members discussed the measure with various City staff including those from the Community Development Department and the City Attorney's Office. We also interviewed representatives of the proponents of the measure as well as the opponents.

We have extensive experience working with various cities in California that have implemented or considered implementing rent stabilization programs. We researched various issues that could be affected by the measure, including answers to specific questions posed by Council members. To inform our analysis, we reviewed documents provided by the City, including department budgets, other agency rent stabilization program budgets, and their respective staffing levels and administrative structures.

## Background

### ***City Housing Information***

The City of Burbank has a total of 43,651 housing units. Of this total, 24,761 (56.7%) are utilized for rental housing. Table 1 shows the breakdown of the rental units by building age. As the table shows, the majority of rental units were built prior to 1995. The year 1995 is significant because under existing state law cities are prevented from establishing their own rent regulation requirement on housing units constructed after February 1995.

*Table 1. Burbank Rental Units*

Year Built	Total Number of Rental Units	Number of Single Family Rental Units	Number of Multi-Family Rental Units
Before 1995	22,739 (91.8%)	5,460	17,279
After 1995	2,022 (8.2%)	1,064	958
<b>TOTAL</b>	<b>24,761</b>	<b>6,524 (26% of total rentals)</b>	<b>18,237</b>

A summary of Burbank’s housing stock by type (single family, duplex, triplex, quadplex, or multi-family) is provided in Table 2.

*Table 2. Burbank Housing Information*

Housing Type	Owner Occupied or Non-Owner Occupied <sup>1</sup>	Number of Units
Single Family	Owner Occupied	18,890
Single Family	Non-Owner Occupied	6,524
Single Family	<b>ALL</b>	<b>25,414</b>
Duplex	Owner Occupied	299
Duplex	Non-Owner Occupied	1,161
Duplex	<b>ALL</b>	<b>1,460</b>
Triplex	Owner Occupied	88
Triplex	Non-Owner Occupied	1,287
Triplex	<b>ALL</b>	<b>1,375</b>
Quadplex	Owner Occupied	58
Quadplex	Non-Owner Occupied	1,923

Housing Type	Owner Occupied or Non-Owner Occupied <sup>1</sup>	Number of Units
<b>Quadplex</b>	<b>ALL</b>	<b>1,981</b>
<b>Multi-Family</b>	Owner Occupied	29
<b>Multi-Family</b>	Non-Owner Occupied	13,392
<b>Multi-Family</b>	<b>ALL</b>	<b>13,421</b>
<b>TOTAL NUMBER OF UNITS</b>	<b>ALL</b>	<b>43,651</b>

Source: City of Burbank GIS.

<sup>1</sup>Owner occupied units are defined as those where the property tax bill is sent to the property's address; non-owner-occupied properties are those where the property tax billing address is sent elsewhere.

Based on information provided by the Assessor's Office, 12,919 parcels have a homeowner's exemption with 12,536 (97%) of those exemptions applying to single-family homes. Table 3 contains projected residential units for the City of Burbank. All projects are multi-family units.

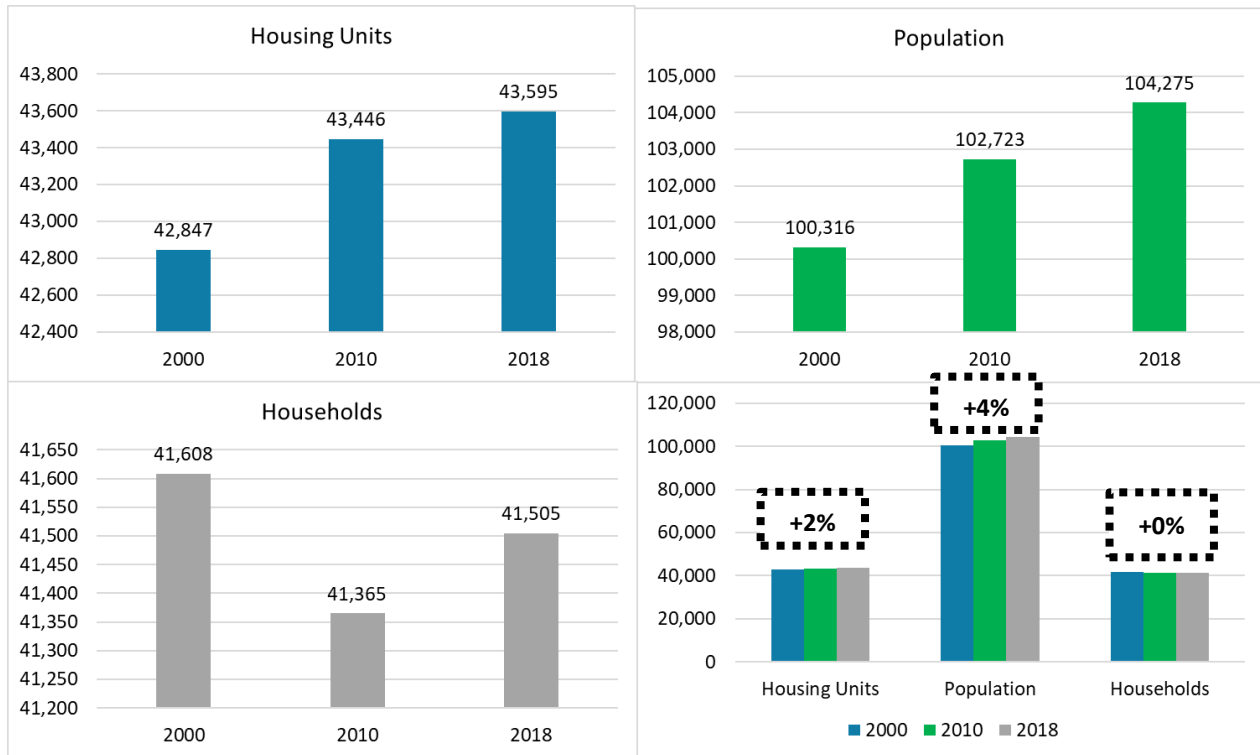
Table 3. Burbank Projected Residential Multi-Family Units

Project Name	Unit Total	Moderate	Low and Very Low	Approval Status
<b>First Street Village</b>	275	14		Approved and Under Construction
<b>La Terra</b>	573	69		Approved and Under Construction
<b>601-615 Cedar</b>	46		8	In Plan Check
<b>3700 Riverside</b>	49		4	Needs to be entitled
<b>624-628 S. San Fernando</b>	42		5	Approved by Planning Board
<b>Accessory Dwelling Unit (ADUs)</b>	400	48	144	Approximate
<b>TOTAL</b>	<b>1,385</b>	<b>131</b>	<b>161</b>	

For perspective on changes in housing units and population in Burbank, Figure 1 below shows trends over the last approximately 20-year period. Growth in housing units was much more pronounced over the period from 2000 to 2010 than in the period after 2010.

Population increased on a more constant basis. Overall population has increased at about twice the rate of growth than housing units. Notably however, the number of households in Burbank has remained nearly constant during this time period.

Figure 1. Burbank Growth (Housing Units, Population, Households) Since 2000



Source: American Community Survey 5-Year Estimates (2000, 2010, 2018).

### Rent Control Limitations Under State Law

As of August 2020, approximately 23 of 482 municipalities in the state have rent control or stabilization ordinances that regulate rents at the local level. Courts have ruled that such regulations, properly tailored, are a lawful exercise of municipal police powers. These types of regulations first appeared in California in the late 1970s and early 1980s and have expanded slowly in response to periodic spikes in concern about access to affordable housing, most recently in the 2016 to 2019 period.

The State of California has set some limits on the power of a local government to regulate rents. In 1995, the California legislature passed the Costa-Hawkins Rental Housing Act (AB 1164). Among other things, Costa-Hawkins allows property owners to set rental rates as they wish when there is a change in unit vacancy (known as “vacancy decontrol”). In addition, Costa-Hawkins prohibits interfering in a property owner’s ability to set rents for any unit that received a certificate of occupancy after February 1, 1995 and any single-family home or condominium.

Passed by the State Legislature in 2019 and signed by the governor, the Tenant Protection Act (AB 1482) went into effect on January 1, 2020. It



expires on January 1, 2030 and is applicable in the City of Burbank and across the state. This legislation was designed to prevent “egregious” rent hikes. The Tenant Protection Act generally:

- Created an annual statewide rent cap of 5% plus Consumer Price Index (CPI) or 10% (whichever is lower) on all rental housing, with specified exemptions.
- Exempted units already subject to a local rent control ordinance that restricts annual rent increases to an amount less 5% plus CPI.
- Requires just cause for a landlord to terminate a tenancy and relocation assistance (generally one month’s rent) for no-fault evictions.
- Prohibits a tenant from waiving their rights to these protections. Any agreement to do so by the tenant is considered void as contrary to public policy.

While all housing located in the State of California is covered by the Tenant Protection Act, there are exemptions as outlined in Table 4.

*Table 4. Tenant Protection Act (AB 1482) Exemptions Summary*

Regulation/Limitation	Units Exempt from Regulations
<b>“Just Cause” Regulations and Rent Cap Limitations</b>	<ul style="list-style-type: none"> <li>• Units that were constructed within the last 15 years. This applies on a rolling basis (i.e., a unit constructed on January 1, 2006 is not covered as of January 1, 2020 but is covered on and after January 1, 2021).</li> <li>• Units restricted by a deed, regulatory restrictions, or other recorded document limiting the affordability to low or moderate-income households.</li> <li>• Certain dormitories.</li> <li>• A two-unit property, provided the second unit was occupied by an owner of the property for the entire period of the tenancy.</li> <li>• Single-family homes and condominiums are only exempt if both (A) and (B) apply:               <ul style="list-style-type: none"> <li>(A) the property is not owned by one of the following:                   <ul style="list-style-type: none"> <li>(i) a real estate trust, or</li> <li>(ii) a corporation, or</li> <li>(iii) an LLC with at least one corporate member.</li> </ul> </li> <li style="text-align: center;">-----AND-----</li> <li>(B) The landlord notified the tenant in writing that the tenancy is not subject to the “just cause” and rent increase limitations as specifically described in Civil Code Sections 1946.2(e)(8)(B)(i) and 1947.12(d)(5)(B)(i). See below for more information.</li> </ul> </li> <li>• The limited exemption for single-family homes does not apply where there is more than one dwelling unit on the same lot, or any second residential unit in the building that cannot be sold separately from the subject unit (such as an in-law unit).</li> </ul>
<b>Rent Cap Limitations</b>	<ul style="list-style-type: none"> <li>• Units that are already subject to a local rent control ordinance that restrict annual rent increases to an amount less than 5% plus CPI.</li> </ul>

Regulation/Limitation	Units Exempt from Regulations
<p><b>“Just Cause” Regulations</b></p>	<ul style="list-style-type: none"> <li>• Units that are already subject to a local ordinance that requires “just cause” to terminate a tenancy and is more protective than state law. Provided, however, that ordinances adopted after September 1, 2019 must include a binding finding within their local ordinance that the ordinance is more protective than the provisions of AB 1482.</li> <li>• Single family, owner-occupied residences where the owner rents no more than two bedrooms or units, including accessory dwelling units and junior accessory dwelling units.</li> <li>• Housing accommodations in which the tenant shares bathroom or kitchen facilities with the owner if the owner lives at the property as their principal residence.</li> <li>• Housing provided by a nonprofit hospital, church, extended care facility, licensed extended care facility for the elderly, or an adult residential facility.</li> <li>• Transient and tourist hotel occupancy as defined by Civil Code Section 1940(b).</li> </ul>

Source: City and County of San Francisco website and City of Burbank website.

In addition to the Tenant Protection Act, as mentioned previously, there is a proposed statewide initiative on the ballot in November 2020. Proposition 21 would replace Costa-Hawkins and allow local governments to adopt rent control on housing units, except on a) housing that was first occupied within the last 15 years and b) units owned by natural persons who own no more than two housing units with separate titles, such as single-family homes, condominiums, and some duplexes, or subdivided interests, such as stock cooperatives and community apartment projects.

Under Costa-Hawkins, landlords are allowed to increase rent prices to market rates when a tenant moves out (a policy known as vacancy decontrol). The Proposition 21 measure would require local governments that adopt rent regulations to allow landlords to increase rental rates by 15% during the first three years (5% per year) following a vacancy. (As discussed below, this provision would probably impact implementation of Measure RC if both the measure and Proposition 21 pass.)

Table 5 provides a summary comparison of Costa-Hawkins, the Tenant Protection Act (AB 1482), and Proposition 21. It is not meant to capture the details of each major area but provide an overview of the differences currently allowed under state law and proposed under Proposition 21.

This information is important for understanding how the Burbank Measure RC would impact rental activities relative to existing and potential state law.

Table 5. Summary Comparison of Statewide Rent Control Legislation

Major Rent Control Areas	Costa-Hawkins	Tenant Protection Act (AB 1482)	Proposition 21 (November 2020 Ballot)
<b>Rent Control/ Price Caps</b>	Local government may enact rent control, with specified restrictions and exemptions.	Limits annual rent increases to 5% plus CPI or 10%, whichever is lower, on all rental housing. Units are also exempt if a local rent control ordinance restricts annual rent increases to an amount less than 5% plus CPI.  Where there is an existing rent control ordinance at the local level, Costa-Hawkins restrictions still apply.	Amends Costa-Hawkins to allow local governments to enact or expand existing rent control within a new set of standards as outlined below: <ul style="list-style-type: none"> <li>• Single family,</li> <li>• Vacancy control, and</li> <li>• New construction rolling date.</li> </ul>
<b>Single Family Homes and Condos</b>	Exempt	Exempt if the property is <b>not owned</b> by a real estate trust, or a corporation, or an LLC with at least one corporate member and certain tenant notifications are made.	Exempt if either of the following is true: <ul style="list-style-type: none"> <li>• The unit has been issued a residential certificate of occupancy within 15 years of the date on which the owner seeks to establish the initial or subsequent rental rate.</li> <li>• The unit is alienable<sup>1</sup> separate from the title to any other dwelling unit or is a subdivided interest in a subdivision...and the owner is a natural person who owns no more than two residential dwelling or housing units.</li> </ul>
<b>Vacancy Decontrol</b>	Units may return to market rate when tenant moves out.	Units may return to market rate when tenant moves out.	No vacancy decontrol; <b>allows</b> permanent price caps: <ul style="list-style-type: none"> <li>• Rents limited to 15% over first three years of new tenancy and then fall under local rent caps thereafter.</li> <li>• Upon vacancy, unit cannot be put to market rate as only another 15% is allowed in first three years for new tenant.</li> </ul>
<b>New Construction</b>	Homes built after 1995 are exempt	Rolling 15-year exemption	Rolling 15-year exemption
<b>Just Cause Evictions</b>	No provisions	Requires landlord to have a just cause as defined in the law to evict tenants that had occupied the rental for at least one year.	No provisions

Major Rent Control Areas	Costa-Hawkins	Tenant Protection Act (AB 1482)	Proposition 21 (November 2020 Ballot)
		Subject to relocation payment of a month's rent to tenant if evicted for no-fault reason.	

<sup>1</sup>*Alienable defined as the character of property that makes it capable of sale or transfer (Source: Legal Dictionary).*

## Overview of Burbank Measure RC

Measure RC proposes changes to the Burbank Municipal Code to add just cause eviction provisions, rent regulations, and a revised Landlord-Tenant Commission with authorities specifically set forth below. Burbank currently has a Landlord-Tenant Commission as an advisory body to Council recommending rules, regulations, and guidelines for rent increases as well as voluntary mediation of rent adjustment disputes between landlords and tenants. Existing appointees would take over the new responsibilities of the Commission.

The revised five-member Commission, appointed by City Council, would be responsible for implementation and administration of the measure. The measure would expand the major responsibilities of the Commission to include the following:

- Setting rents at fair and equitable levels as defined by the measure,
- Establishing rules and regulations,
- Determining and publicizing the Annual General [Rent] Adjustment,
- Adjudicating petitions and issuing decisions for appropriate relief,
- Administering oaths and affirmations and subpoenaing witnesses,
- Establishing a budget for implementation of the measure including the hiring of necessary staff,
- Holding public hearings and establishing procedures and timelines on petitions,
- Establishing a schedule of penalties that may be imposed for noncompliance,
- Establishing an annual Rental Housing Fee charged to units subject to the measure to finance the program,
- Pursuing civil remedies,
- Intervening in any litigation by a landlord or tenant with respect to rental units,
- Serving as a medium through which landlords and tenants may exchange information, coordinate programs, and engage in joint endeavors, and
- Any other duties necessary to administer the measure.

The Commission would be comprised of no fewer than two tenants and no more than two residential property owners with an alternate appointed by the City Council. The measure also states that all current members of the Commission shall remain through their existing terms. The City Council may also remove and replace members of the Commission. This provision is effectively the only control the City Council can exercise regarding the rent regulations under the measure.

Table 6 below summarizes the major details of the proposed measure ordinance. The reader is cautioned however that Measure RC is 35 pages of single-spaced text. If approved by the voters, it will become one of the more complex sections of the Burbank Municipal Code.

Table 6. Major Elements of Measure RC

Element	Description
<b>Rent Cap</b>	<p>Units that are affected by the measure would be reset to a base rent from which all increases would then be based. For tenancies commencing on or before September 30, 2019 the base rent would be set to the rent in effect on September 30, 2019. For tenancies after September 30, 2019 the base rent would be the rent charged upon initial occupancy.</p> <p>The annual increase will equal the Consumer Price Index (CPI) for the 12-month period ending in March of the current year, rounded to the nearest one-quarter percent. It will not be less than zero or more than seven percent. The Landlord-Tenant Commission shall announce the amount of the adjustment by June 30<sup>th</sup> of that year. No more than one rent increase per year can be imposed on a tenant. The first rent increase allowed under the measure is September 1, 2021, based on the CPI from May 2019 through May 2021.</p>
<b>“Just Cause” Regulations and Rent Cap Limitations</b>	<p>Landlords may only evict a tenant based on a stated reason.</p> <p>Fault evictions include non-payment of rent, violation of lease and failure to cure, tenant creates nuisance or illegal activity in unit or rental complex or within 1000’ or refusing landlord reasonable access to the unit.</p> <p>No-fault evictions include evicting the tenant to demolish or substantially rehabilitate unit, recovering the unit for occupancy by a resident manager or family member, or permanent removal of unit from rental market.</p> <p>If the eviction is based on a no-fault reason, then the tenant is entitled to receive a relocation payment.</p>
<b>Vacancy Decontrol</b>	<p>A landlord sets initial rents for new tenants under the measure and state law. If state law changes, the measure provides the Landlord-Tenant Commission the ability to set initial rents. <i>[If Costa-Hawkins provisions on vacancy decontrol are changed by the state legislature or initiative (e.g., Proposition 21), then the Commission may regulate initial rents, subject to the provisions outlined in Table 5.]</i></p>
<b>Exemptions</b>	<p><b>Exempt from Rent Cap Limitations</b></p> <p>Residential units that received a certificate of occupancy after February 1, 1995 and single-family homes including condominiums. <i>(These exemptions could change if Proposition 21 passes in November.)</i></p>

Element	Description
	<p><b>Exempt from “Just Cause” Regulations and Rent Cap Limitations</b></p> <p>Units restricted as affordable or owned by a government entity or non-profit organization, or subsidized by government including Section 8, or units where the owner shares a bathroom or kitchen with a renter.</p>

A summary of major elements of the Burbank measure (Measure RC), compared with other rent control legislation (current and proposed), is provided in Table 7.

Table 7. Summary Comparison of Rent Control Legislation

	Costa-Hawkins	AB 1482 Tenant Protection Act	Proposition 21 (November 2020 Ballot)	Measure RC
<b>Rent Control/ Price Caps</b>	Local government may enact rent control with restrictions	5% plus CPI or 10%, whichever is lower on all rental housing not covered by a local ordinance  Where there is an existing ordinance, Costa-Hawkins restrictions still apply	Local governments can enact rent control under new set of standards as outlined below: <ul style="list-style-type: none"> <li>• Single family,</li> <li>• Vacancy control, and</li> <li>• New construction rolling date</li> </ul>	For tenancies commencing on or before September 30, 2019, the base rent would be set to the rent in effect on that date. For tenancies after, the base rent would be the rent charged upon initial occupancy.  The annual increase will equal the CPI, but no higher than 7% or lower than 0% with the Landlord-Tenant Commission announcing the adjustment amount each year.
<b>Single Family Homes and Condos</b>	Exempt	Exempt if the property <b>is not owned</b> by a real estate trust, or a corporation, or an LLC with at least one corporate member and certain tenant notifications are made.	Exempt if either of the following is true: <ul style="list-style-type: none"> <li>• The unit has been issued a residential certificate of occupancy within 15 years of the date on which the owner seeks to establish the initial or subsequent rental rate.</li> <li>• The unit is alienable separate from the title to any other dwelling unit or is a subdivided interest in a subdivision... and</li> </ul>	Exempt under current state law (Costa Hawkins); Landlord- Tenant Commission is instructed to include them if Proposition 21 passes. The following units are also exempt: <ul style="list-style-type: none"> <li>• Restricted as affordable</li> <li>• Owned by government entity or non-profit</li> <li>• Subsidized by government including Section 8</li> </ul>

	Costa-Hawkins	AB 1482 Tenant Protection Act	Proposition 21 (November 2020 Ballot)	Measure RC
			the owner is a natural person who owns no more than two residential dwelling or housing units.	<ul style="list-style-type: none"> <li>Owner shares bathroom or kitchen with renter</li> </ul>
<b>Vacancy Decontrol</b>	Units may return to market rate when tenant moves out. No limit on rent set for a vacant unit.	Units may return to market rate when tenant moves out, but evictions are limited by just cause provisions.	No vacancy decontrol/ allows permanent price caps: <ul style="list-style-type: none"> <li>Rents limited to 15% over first three years of new tenancy and then fall under local rent caps thereafter</li> <li>Upon vacancy, unit may not go back to market rate as only another 15% is allowed in first three years for new tenant</li> </ul>	Landlord sets initial rents for new tenants. If state law changes (if Proposition 21 passes), Landlord-Tenant Commission will set initial rents for rental units older than 15 years, as well as single-family homes and condos. Provisions of Proposition 21 would regulate initial tenancy rent rate over first three years.
<b>New Construction</b>	Homes built after 1995 are exempt	Rolling 15-year exemption	Rolling 15-year exemption	Homes built after February 1, 1995 are exempt from rent regulations but subject to just eviction provisions. <i>(If Proposition 21 passes, then rental units older than 15 years will fall under Measure RC.)</i>
<b>Just Cause Evictions</b>	No provisions	Requires landlord to have a just cause as defined in the law to evict tenants that had occupied the rental for at least one year. Simple lease expiration is not cause for just cause eviction.  Subject to relocation payment of a month's rent to tenant if evicted for no-fault reason.	No provisions	Landlords may only evict a tenant based on stated reason. Fault evictions include non-payment of rent, violation of lease and failure to cure, tenant creates nuisance or illegal activity in unit or rental complex or within 1000 feet or refusing landlord reasonable access to the unit.  No-fault evictions include evicting the tenant to demolish or substantially rehabilitate unit, recovering the unit for occupancy by a resident manager or family member or permanent

	Costa-Hawkins	AB 1482 Tenant Protection Act	Proposition 21 (November 2020 Ballot)	Measure RC
				removal of unit from rental market.  If the eviction is based on a no-fault reason, then the tenant is entitled to receive a relocation payment (ranging from \$7,050 to \$20,050).

### Unique Measure RC Provisions

A total of 23 California cities have comprehensive rent stabilization and tenant rights programs similar to the program defined in Measure RC. Based on a review of rent control ordinances across the state, several differences stand out in the measure that differ from other rent stabilization and tenants-rights ordinances in other cities.

1. *No explicit exclusion of single-family homes, including condominiums.* Measure RC does not provide an explicit exclusion of single-family homes, including condominiums, from rent stabilization. Most other rent stabilization ordinances or charter amendments specifically exclude single-family homes from rent regulation, probably as a nod to existing state law under the Costa-Hawkins Act.

Measure RC takes a different approach in that, while it acknowledges that current law exempts single-family homes and condos, it specifically instructs the Landlord-Tenant Commission to issue rules and regulations to cover such units “where rent restrictions are permitted by state law.” Importantly this action would be taken without further input from the City Council or voters if Measure RC passes.

It should be noted that the Tenant Protection Act modified this somewhat (see Tables 5 and 7), and State initiative Proposition 21 would overturn specific provisions of the Costa-Hawkins Act and allow units constructed between 1995 and 2005, some single-family home and condominiums to be subject to rent control (see Table 7). If both RC and Proposition 21 pass, single-family homes could be regulated when the property owner meets certain criteria and has more than two properties.



2. ***Vacancy decontrol.*** Most of the more recent rent stabilization ordinances in California and other states include provisions for “vacancy decontrol.” Vacancy decontrol allows a landlord to set the rent without restriction for new tenancies. This would be the case under Measure RC as long as Costa-Hawkins remains state law. However, Measure RC was clearly drafted with the expectation that Costa-Hawkins could be repealed. For this reason, Measure RC (Section 9-5-11.B) states that “to the maximum extent permitted by state law, the initial rent for new tenancies shall be subject to the restrictions of this Chapter.”

To this end under Measure RC the Landlord-Tenant Commission is required to develop rules and regulations for rent regulation in new tenancies, if state law permits. It is clearly the intent of Measure RC that vacancy decontrol be regulated and that such regulation hew to the limits on rent increases specified in Measure RC to the maximum extent possible. If the current pre-emption by Costa-Hawkins goes away with the passage of Proposition 21, then new rents upon vacancy will allow a 15% increase over three years under the provisions of Proposition 21.

3. ***Conflicts with the City Charter and Autonomy of the Landlord-Tenant Commission.*** City staff prepared an extensive report for the August 7, 2020 City Council meeting that contained an extensive discussion of potential conflicts between the measure and the City Charter. This report may be found at the following link:

[https://burbank.granicus.com/MetaViewer.php?view\\_id=42&clip\\_id=9146&meta\\_id=372753](https://burbank.granicus.com/MetaViewer.php?view_id=42&clip_id=9146&meta_id=372753).

Additionally, Section 9-5-13 (N) of the measure states that the “Landlord Tenant Commission shall be an integral part of the government of the City, but shall exercise its powers and duties under this Chapter independent from the City Council, City Manager, City Attorney, except by request of the Landlord-Tenant Commission.” So, while the Landlord-Tenant Commission will be a part of the City government, the measure also grants the Commission autonomy from the City and explicitly states that their duties and responsibilities shall be carried out independently from the City Council and City management.

These provisions and other seeming inconsistencies relating to the City Charter will ultimately have to be addressed and reconciled by legal counsel. Other than the provisions relating to the Landlord-Tenant Commission itself, the unusual provisions of Measure RC all hinge on the possible passage of Proposition 21, and associated changes to state law. Should Proposition 21 pass, it may also be subject to litigation.

## Fiscal Impacts

Typically, the costs of providing rental stabilization and tenant-rights programs are fully covered by fees charged to landlords and tenants. A small number of rent programs are offset by partial subsidies from the General Fund but cost recovery through fees is most common among cities of all sizes.

Fees are generally invoiced to landlords on a yearly basis with landlords granted authority to recover half of the fees from tenants monthly. Rent boards in several cities have defined responsibility for the fees to fall on both landlords and tenants to provide greater visibility of the program and its costs to the tenants. Measure RC provides that the Landlord-Tenant Commission shall finance its reasonable and necessary expenses by charging landlords an annual Housing Rental Fee in accordance with applicable law.

### ***Comparative Agency Budget and Staffing***

In assessing the potential cost of the program, Management Partners focused primarily on mid-sized cities that operate comprehensive rent stabilization programs such as that proposed in Measure RC. Larger and smaller cities were not considered because large cities have greater efficiencies of scale and very small cities have low transaction counts so staff tends to be assigned a mix of duties not directly related to rent programs.

Management Partners used the following mid-sized California city rent programs in assessing the fiscal impact on the City of Burbank:

- Santa Monica,
- Berkeley,
- West Hollywood, and
- Richmond.

Table 8 provides an overview of the rent programs in these cities.

Table 8. Mid-Size Rent Stabilization and Tenant Protection Programs

	Burbank	Santa Monica	West Hollywood	Richmond	Berkeley	Median
<b>Service Population</b>	103,695	93,000	37,000	109,000	122,000	101,000
<b>Rental Units Under Control</b>	17,279	27,542	16,832	10,469	19,093	17,962.5
<b>Single Family Rental Units</b>	5,460 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	
<b>Just Cause Only<sup>2</sup></b>	24,271 <sup>3</sup>	40,935	16,832	23,435	24,306	24,306

<sup>1</sup>Single-family rental units are currently explicitly exempt from most rent stabilization ordinances. Ordinances or charter amendments would have to be changed to include them, even with the passage of Proposition 21. Measure RC does not have a specific exemption for single-family homes or condominiums. If Proposition 21 passes, the Landlord-Tenant Commission is required by the measure to issue rules and regulations regarding single-family homes, including condos, as well as units built between 1995 and 2005 in accordance with provisions of the initiative.

<sup>2</sup>Some cities only provide just-cause eviction protection to units under the rent stabilization program.

<sup>3</sup>Estimate of the non-owner-occupied units in the city.

The costs of the rental program in these cities varies considerably. Berkeley and Santa Monica have had programs since the late 1970s. They started as very high-control programs requiring significant interaction between landlords and program staff. Case decisions and changes in state law over the years have limited the level of control the programs can exert on landlords and property owners but the programs and underlying policies adopted by their rent boards remain complex.

Management Partners believes the basic profile of the City of Burbank is close to the median of the mid-sized rent programs in terms of service population, rental units potentially to be under rent stabilization, and rental units under the provisions of just-cause eviction ordinances. The fees used to offset costs are also indicated. The budgets for these programs are shown in Table 9.

Table 9. Mid-Size Rent Stabilization Program from FY 2020-21 Annual Budgets

Program Components	Santa Monica	West Hollywood	Richmond	Berkeley <sup>1</sup>	Median
<b>Personnel</b>	\$4,548,649	\$1,868,465	\$1,958,189	\$4,414,000	\$3,186,095
<b>Office and Professional Services</b>	\$738,683	\$654,762	\$517,261	\$963,500	\$696,723
<b>Other</b>	\$47,500		\$203,811	\$182,500	\$182,500
<b>TOTAL</b>	<b>\$5,287,332</b>	<b>\$2,523,227</b>	<b>\$2,896,271</b>	<b>\$5,777,500</b>	<b>\$4,091,802</b>
<b>Rent Program Fee per Unit</b>	\$192	\$150	\$219	\$303	\$205.50

Program Components	Santa Monica	West Hollywood	Richmond	Berkeley <sup>1</sup>	Median
Just-Cause Program Fee per Unit			\$124		

<sup>1</sup>2020 Adopted Budget.

Staffing levels by employee type for the peer city rent programs are shown in Table 10.

Table 10. Rent Stabilization Program Staffing Levels

Employee Class	Santa Monica	West Hollywood	Richmond	Berkeley	Median
Executive	1.0	1.0	1.0	1.0	1.0
Line Managers	4.0	2.0	2.0	4.75	3.0
Technical Expert	9.0	5.0	3.0	5.8	5.4
Office Support	3.0	4.0	4.0	5.8	4.0
Hearing Officer	3.0		1.0	2.0	2.0
Legal	3.0		2.0	3.0	3.0
Information Technology	2.0				2.0
<b>TOTAL</b>	<b>25.0</b>	<b>12.0</b>	<b>13.0</b>	<b>22.35</b>	<b>25.4</b>

There is no rent stabilization program in the state that operates with what would be considered minimal staffing level or budget. All these programs represent significant policy commitments and require substantive and comprehensive administrative structures to implement and sustain them. Consequently, the cost of implementation and ongoing enforcement are substantial, as indicated in Table 9. The program and administrative elements include at a minimum the following tasks or components:

- Support of the Landlord-Tenant Commission in developing policies and procedures to implement the program.
- Support of the Landlord-Tenant Commission during public meetings including:
  - Preparing and publishing the agendas,
  - Recording and publishing the minutes as defined by City and Landlord-Tenant Commission policies and state law, and
  - Answering questions from the Commission and public.
- Provide ongoing outreach and education sessions to landlords, tenants, and the public on the rent stabilization and tenant protection programs and policies.
- Provide assistance to landlords in ensuring compliance with the measure and Landlord-Tenant Commission policies and procedures.
- Develop a comprehensive rental unit database.

- Publish the allowable rent increase rates.
- Collect supporting data and prepare reports for cases to be presented to the hearing officers on:
  - Illegal rent increase complaints,
  - Petitions for rent increases in excess of the normal in the circumstances described in the measure that justify larger than normal rent increases,
  - Eviction complaints, and
  - Other Landlord-Tenant conflicts.
- Monitor new tenant rents.
- Mediate minor landlord-tenant issues.
- Develop program budgets to manage and support a comprehensive rent stabilization program as defined in the measure and subsequent policies and procedures as implementation ensues.
- Develop and support the billing of fees.

### ***Burbank Staffing***

We understand that there may be an assumption that the Housing Authority Manager position described in the measure would serve as secretary to the new Landlord-Tenant Commission. The current Housing Authority Manager stated she acts in a minor way as the secretary to the current Commission. Her duties and those of the Housing staff include implementing the affordable housing policies and programs of the City Council, monitoring affordable units, and seeking additional funds to implement and manage affordable housing programs. Supporting the current Commission and providing information to the public is not a significant part of the unit's work program and there are no available hours to expand such a role and take on additional responsibilities. The current staff has no capacity to take on the rather large administrative function of a rent stabilization program. Additionally, the roles and responsibilities of a rent stabilization program are not in strategic alignment with the current Community Development Department Housing Division.

Rent stabilization programs require significant community outreach and education on an ongoing basis to keep both landlords and tenants informed of the ordinances, policies, and procedures. Transactional volumes are typically high for both rent and housing programs. It is only in very small cities that the functions are sometimes combined to a significant degree. All the medium and large rent programs operate

under an executive with sole responsibility for the rent program and housing executives are responsible only for the housing programs.

For the reasons discussed above, it is not realistic to expect a single person to oversee and manage both rent stabilization and the City's housing programs. Additionally, a separate rent program staff will be required to support the Commission, develop policies and procedures to implement the just cause eviction provisions, rent regulations and other requirements from the measure, conduct ongoing outreach and education, support program administration, and develop case information for review by the hearing officers and Landlord-Tenant Commission on appeal.

As Table 11 shows, we have developed what we believe to be an initial staffing level appropriate to implement and provide initial support of the program defined in Measure RC. Changes in the composition and numbers of staff may have to be refined as policies are developed and the volume of work is determined.

Table 11 also provides a startup budget modeled on that of the City of Richmond (from 2017). Richmond's Rent Stabilization and Tenant Protection Program sprang from a voter initiative passed in November 2016. Like Measure RC, the program was expected to begin functioning in January 2017, effectively less than two months after its passage. A one-month development of a major program like the one defined in Measure RC is not realistic. Richmond's program was not able to be largely functional until the summer of 2017 despite dedicated effort by City staff to begin services.

The City of Richmond advanced the rent program with just over \$1,052,000 in startup costs. City leaders negotiated a repayment of that amount with their rent board over several years, which is also possible but not required by Measure RC. Most of the startup costs in Richmond were dedicated to personnel, communications, supplies and services.

Richmond had the advantage of being able to provide space in City Hall because of the staffing reductions following the Great Recession and the loss of a major third-party tenant in one of the buildings in the City Hall complex. Phones and computers were also available for the new staff. Additionally, the City had sufficient capacity and skill in their Information Technology Department to modify their Community Development permit system to provide the services needed for the rent program.

Burbank City staff, however, report that neither space nor technical capacity currently exists to house staff or to develop software systems as did the City of Richmond. As a result, we believe a startup budget of at least \$1,800,000 will be required.

Table 11. Recommended Program Staffing and Annual Budget for the Burbank Rent Stabilization Program

	Proposed FTEs	Annual Costs	Start-Up Costs
<b>Personnel</b>	<b>19.0</b>	<b>\$2,741,964<sup>1</sup></b>	<b>\$500,000</b>
Executive or Department Head	1.0	\$225,235	
Housing Development Manager	2.0	\$345,802	
Housing Assistant	6.0	\$723,132	
Intermediate Clerk	3.0	\$227,088	
Senior Assistant City Attorney	1.0	\$224,548	
Assistant City Attorney	1.0	\$196,159	
IT Staff	1.0	\$150,000	
Part Time Staff	1.0	\$50,000	
Hearing Officer	3.0	\$600,000	
<b>Office and Professional Services</b>		<b>\$696,723</b>	<b>\$400,000</b>
<b>Other</b>		<b>\$295,000</b>	<b>\$900,000</b>
Software System		\$100,000	\$500,000
Office Space		\$195,000	\$400,000
<b>TOTAL BUDGET</b>		<b>\$3,733,687</b>	<b>\$1,800,000</b>

<sup>1</sup>Personnel costs include employee salaries, benefits, and other employee related costs.

Fees can be assessed by the Landlord-Tenant Commission under the terms of Measure RC to cover the costs of the program. Most cities with rent stabilization programs charge little or nothing for just-cause provisions. The City of Richmond charges a significant fee in support of their just-cause provisions, given a large volume of such cases in their city and the work committed to resolving those cases (which includes negotiations by staff and hearing officers to resolve cases more quickly and reduce the need to take cases to court).

To defray the cost of the program in Burbank based on this budget, a Rent Stabilization Fee of \$216.08 per unit per year would be required if no Just-Cause Fee is charged. A \$10 per year Just-Cause Fee charged on all rental units would support the reduction of the Rent Stabilization Fee to \$206.08. Repayment of the program startup costs to the City would require a larger fee or fees depending on the repayment period and the total amount of startup costs advanced.



## ***Impacts on Renters and Property Owners***

Fiscal impacts on renters will be minimal, at least initially. Measure RC rolls back rents to those in place on September 30, 2019 or the initial rent for tenancies beginning after that date. Increases will be limited under the terms of the ordinance to 100% of the U.S. Department of Labor Consumer Price Index for the Los Angeles region, but in no event less than 0% or greater than 7%. Overall, costs will be reduced to tenants currently in place and will remain stable as long as they maintain their tenancies.

Under Costa-Hawkins, a property owner can set rents at any level they choose under the concept of vacancy decontrol. This results in different rents being paid by different tenants who came to the property at different times. The change in initial rent is limited under the terms of the Proposition 21 to a 15% increase over a three-year period. It is unlikely property owners could not adjust rents upward for new tenants at least 5% in any single year.

If Proposition 21 passes and vacancy decontrol were no longer allowed under local policy, rents would remain stable for new tenants until adjusted under the fair return on investment elements of Measure RC or order of a court following a lawsuit. The exact fiscal impact of the rent stabilization elements of the measure cannot be accurately estimated; income from each property and even each unit in a property would vary widely depending on the starting rents, tenancy turnover, operating costs over time, and market conditions.

### **Impact on Maintenance**

As noted in a report from the Legislative Advocates Office in relation to proposed statewide rent stabilization legislation,<sup>2</sup> while economic theory would suggest that, on balance, property owners should be less likely to invest in property where return on investment is limited, “it is unclear the extent to which these effects have actually occurred in practice...”

An underlying assumption of rent stabilization ordinances is that when initial rent is set by an owner, that rent provides sufficient income to address regular maintenance of a property, including set-asides for expected long-term major maintenance such as a new roof.

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<sup>2</sup>Legislative Analyst’s Office; Letter to Attorney General Xavier Becerra; December 12, 2017

When major renovation or unexpected repairs become necessary, California law requires that landlords receive a fair return on their investment and most rent stabilization ordinances have clauses that allow property owners to petition for rent increases beyond that permitted each year. However, a 2008 study of Los Angeles Rent Control found that property owners were often not aware they could petition for increases to address unusual maintenance requirements, or found the paper work and process for applying for such increases to be cumbersome.<sup>3</sup> The 2008 Los Angeles study did not find a pattern of disinvestment in rental properties due to its Rent Stabilization Ordinance.

The Burbank measure requires a significantly higher relocation fee than currently required by the Tenant Protection Act (AB 1482) when a landlord performs major work on the unit that requires the tenant to temporarily vacate it. This additional cost for undertaking major work is a potentially significant disincentive for landlords to invest in major work. The initial fee set in the measure is about the same fee required under the Los Angeles Rent Stabilization Ordinance and the 2008 analysis of the impacts of rent control in Los Angeles did not find evidence that the Los Angeles ordinance led to significant deterioration in the rental housing stock or neighborhoods in Los Angeles.

### **Impact on Property Values**

The USC study found that “[w]hile it is reasonable to assume that property values are diminished by rent regulations, research on the issue is mixed.”<sup>4</sup> The USC report cites one study that found property values in Cambridge, Massachusetts, for formerly rent controlled properties increased, as did the value of surrounding properties, when rent control was removed. Another study in New Jersey did not find an impact on values.

The California Legislative Analyst’s Office (LAO) in its analysis of a proposed 2017 rent stabilization initiative (which failed), states,

*[T]he market values of properties appear to decline when they are placed under rent control. Further, some evidence suggests that*

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<sup>3</sup>Economic Study of the Rent Stabilization Ordinance and the Los Angeles Housing Market; City of Los Angeles Housing Department, 2009

<sup>4</sup>Pastor, Carter and Abood; “Rent Matters: What Are the Impacts of Rent Stabilization Measures?”; University of Southern California Dornsife Program for Environmental and Regional Equity; October 2018, page 13

*the market value of non-rent-controlled properties in the vicinity of rent-controlled property also declines.*

The LAO’s conclusion is consistent with the findings of the Cambridge study. The LAO goes on to note that to the degree rent control reduces property values it can affect local government revenue from property taxes.<sup>5</sup> It is important to note, however, that Measure RC is not rent control per se and is different from what is effectively the repeal of the Costa-Hawkins law that the LAO was analyzing. We have previously pointed out how the interaction of Measure RC and Proposition 21 might heighten impacts if both are passed.

**Requirement for Relocation Payments**

Perhaps the single greatest impact on property owners will be the requirements for relocation payments. Relocation payments to existing tenants must be paid whenever the property owner seeks to recover a rental unit for personal use or when major repairs are required. Most rent stabilization programs and even a few non rent-stabilized cities have implemented relocation payments to minimize the impact of evictions that are not the fault of the tenant. The relocation payments are typically rough estimates of the cost to tenants in rental units of different sizes to relocate. They include moving costs, initial rents, and security deposits. All the rent stabilization programs also require larger payments to “qualified tenants.” Qualified tenants may be slightly different in each community but generally the term refers to tenants who are elderly, disabled, have low incomes, and/or have school aged children in the home. Table 12 compares the relocation payments in the peer cities.

*Table 12. Relocation Payments in Burbank and Peer Cities*

Tenant Type	Burbank <sup>1</sup>	Santa Monica	West Hollywood <sup>2</sup>	Richmond	Berkeley <sup>3</sup>
Studio	\$8,050	\$16,950	\$7,506	\$7,035	Customized
Studio Qualified Tenant	\$16,950	\$17,200		\$8,062	Customized
One Bedroom	\$8,050	\$22,700	\$10,598	\$10,784	Customized
One Bedroom Qualified	\$16,950	\$24,250		\$12,427	Customized

<sup>5</sup>Legislative Analyst’s Office; Letter to Attorney General Xavier Becerra; December 12, 2017

Tenant Type	Burbank <sup>1</sup>	Santa Monica	West Hollywood <sup>2</sup>	Richmond	Berkeley <sup>3</sup>
<b>2 Bedrooms</b>	\$8,050	\$31,550	\$14,275	\$14,635	Customized
<b>2 Bedrooms Qualified</b>	\$16,950	\$33,650		\$16,843	Customized
<b>3+ Bedrooms</b>	\$8,050	\$31,550	\$18,840	\$14,635	Customized
<b>3+ Bedrooms Qualified</b>	\$16,950	\$22,650		\$16,843	Customized

<sup>1</sup>Measure RC requires \$10,550 for regular tenants, \$20,050 for qualified tenants in all room count categories where tenants have been in place over three years.

<sup>2</sup>West Hollywood qualified tenants due to age or disability \$19,869, low-income \$25,020.

<sup>3</sup>Berkeley relocation fees are calculated for each case depending on several factors.

The fiscal impact of the relocation payments will only be felt in times of no-fault tenancy change. Most often it will add to the costs of moving tenants so major repairs or remodeling can be done. Additional costs may deter property owners from making major improvements since the relocation payments under Measure RC are significant. Maintenance of quality housing could be adversely impacted as relocation payments crowd out other expenditures at the margin.

A high-level analysis of the housing and rental markets under rent stabilization is discussed in the next section of this report.

## Other Impacts Required by California Elections Code Section 9212 (a)

As discussed earlier in the report, California Elections Code Section 9212 has several items required for analysis. It also notes that the 9212 analysis can include “any other matter requested by the legislative body.” The Burbank City Council requested that this report also address the impact of rent stabilization ordinances on the following matters.

- Housing supply and affordability,
- Condo conversions,
- Property values and school revenues,
- Gentrification, and
- Smaller “mom and pop” landlords.

Some of these matters were discussed in the previous sections of this report, while others are provided in those that follow.

1. ***Fiscal Impacts.*** See Fiscal Impacts Section above.
2. ***Consistency with General Plan and Housing Element.*** California Election Code §9212(a)(2) allows for an analysis regarding the proposed measure’s effect on the internal consistency of the city’s general and specific plans, including the housing element, the consistency between planning and zoning, and the limitations on city actions under Section 65008 of the Government Code and Chapters 4.2 (commencing with Section 65913) and 4.3 (commencing with Section 65915) of Division 1 of Title 7 of the Government Code.

The City of Burbank adopted its current General Plan (Burbank 2035 General Plan) on February 19, 2013 with the exception of the Housing Element which was adopted on January 7, 2014. The Housing Element covers the period from January 1, 2014 to October 2021 and was certified as being in conformance with state law by the State Department of Housing and Community Development.

The General Plan does not directly address rental housing or rent stabilization. A vision statement in the General Plan addresses the need for housing for all:

*Burbank offers a wide range of housing to meet the needs of all age groups, family types, and income levels, as well as those with special housing needs.*

The General Plan seeks to achieve this goal through the policies of its Housing Element, which focuses on providing a wide range of housing types as well as by conserving and improving the existing housing stock. As required by state law, the Housing Element, in part, describes how the City will meet its share of the regional housing need over the 2014 to 2021 planning period. Burbank's share of need, known as its regional housing need allocation (RHNA), was 2,684 units. During the 2014 to 2019 period, the City saw the development of 501 units, far below the projected need.

The Housing Element found that while rental housing costs were "well above the level of affordability" for low and very low-income households, moderate income households could afford median rents for one- and two-bedroom units.

The analysis prepared for a new Housing Strategy adopted by the City Council in 2017 found a worsening picture regarding the availability and cost of housing within the City, with employment growth far outpacing new residential construction. The strategy found that as for-sale housing became increasingly unaffordable, pressure was being placed on the rental market. The shortfall of residential development relative to demand is true in Burbank and throughout Los Angeles County.

In response to the imbalance between job growth and housing development within the City, the City adopted the goal of building 12,000 units in the following 15 years as part of its 2017 Housing Strategy. Because there is little vacant land in Burbank, development of this housing will depend on private redevelopment of underutilized land. Some will involve demolition and replacement of smaller residential structures with larger more dense residential structures. For example, a recently approved project in Burbank involved the demolition of a 14-unit residential building to allow for the development of a 46-unit building. Although the affordability of the existing building is unknown, 8 of the units in the 46-unit building will be for low-income residents for a minimum of 55 years.

Burbank is in the process of preparing a new Housing Element for years 2021 to 2029. For this period, Burbank's RHNA is 8,752 units or 3.25 times the previous allocation.

As Measure RC does not call for any changes in zoning or land use and is not an amendment to the General Plan, it would not have an impact on consistency between zoning and the General Plan. The measure would not affect the City's ability to comply with Section 65008 of the Government Code and Chapters 4.2 (commencing with Section 65913) and 4.3 (commencing with Section 65915) of Division 1 of Title 7 of the Government Code which relate to discrimination in provision of housing, expedited review of discretionary housing projects, and provision of density bonuses for qualified development projects.

The relationship of the measure to the provision of housing and consistency with the Housing Element of the General Plan is addressed in the following sections.

3. ***Land Use and Housing.*** As described in earlier sections of this report, the Tenant Protection Act (AB 1482) statewide rent stabilization and just cause eviction protections came into effect on January 1, 2020. Because state law establishes a new baseline for rent stabilization throughout California, the focus of this report is on the possible impacts of the differences between the provisions of the measure and the provisions of the Tenant Protection Act, while also providing a more general discussion of rent stabilization and just cause provisions as they relate to land use and meeting housing needs.

As discussed previously, rent stabilization programs differ in how they are structured and what they cover. In California in recent years rent stabilization ordinances generally have two major elements, both of which are included in the Tenant Protection Act:

- A maximum annual rent increase usually based on some relationship to the Consumer Price Index.
- Just cause for eviction requirements, including relocation costs for non-fault evictions

State law limits local ordinances by:

- Allowing rents in vacated units to go to market levels (vacancy decontrol),
- Not allowing ordinances to apply to new buildings (building built after 1995 under Costa-Hawkins), or to single-family homes, and
- Allowing property owners to "go out of the rental business" (Ellis Act).

In looking at academic literature that evaluates the impact of rent stabilization programs, the exact characteristics of the ordinance being

evaluated matter. Ordinances that, for example, have vacancy control or apply to new housing (as did some pre-Costa-Hawkins ordinances) are likely to have different impacts than those with vacancy decontrol and that exempt new construction.

We have relied on more recent academic analyses of rent stabilization, where much of the analysis is focused on California cities, and especially a study by Pastor, Carter and Abood at the University of Southern California Dornsife Program for Environmental and Regional Equity (“Rent Matters: What Are the Impacts of Rent Stabilization Measures?” from October of 2018). This study summarized analyses of the impacts of rent stabilization, especially as they relate to California. We have done our best to distill relevant conclusions from that report and from other analyses.

Should Proposition 21 pass (on the ballot in November 2020) it would modify Costa-Hawkins by changing the exemption to rent stabilization from buildings built since 1995 to those which are less than 15 years old (on a rolling basis), similar to the exemption in the Tenant Protection Act. Proposition 21 would allow local governments to establish vacancy control on all rental units over 15 years old, limiting increases in rent to 15% over three years.

Should the Burbank measure and Proposition 21 both pass, the measure states that the Landlord-Tenant Commission shall issue rules and regulations on the initial rent for new tenancies. Almost all analysis on which this report is based assumes vacancy decontrol. Establishing vacancy control is very likely to impact the rental housing and the rental development market, but as noted earlier, the exact characteristics of how rent stabilization is implemented matter.

While there were jurisdictions in the United States and in California (prior to Costa-Hawkins) that had vacancy control, there is no situation we are aware of that specifically limited increases to 15% over three years. When vacancy control is established in Burbank pursuant to Proposition 21, there are no relevant studies on which to base conclusions about impact on the use of land, on the availability and location of housing, and the ability of a city to meet its regional housing needs.

### ***Effect on the Use of Land***

The measure would have an impact on the use of land if it affected the development of housing in the community. The direct impact is on rental housing, and while there may be some indirect minor impacts on the



overall housing market, the measure's primary impact would be on the development of rental housing. As noted in the City's Housing Strategy, the vast majority of new housing developed in Burbank over the next few years is expected to be higher density rental housing.

The conclusion of the USC study is that rent stabilization ordinances that include vacancy decontrol and exempt new construction have little or no impact on new housing construction.<sup>6</sup> Anecdotally, another study<sup>7</sup> notes that cities with rent stabilization ordinances such as Oakland, San Francisco and Los Angeles, have seen substantial growth in rental housing during the past few years, often at a much higher pace than surrounding communities without rent stabilization.

The proposed Burbank measure would be constrained by current California law to allow vacancy decontrol and cannot apply to units built since 1995 (Costa-Hawkins). A key difference between the Burbank measure and the Tenant Protection Act (AB 1482) is the amount of relocation fee for no-fault evictions. Under the Tenant Protection Act, the relocation fee is one month's rent, or an average of about \$2,200 for a two-bedroom apartment in Burbank<sup>8</sup>. Under the measure, the fee would be between \$7,750 and \$20,050 for qualified tenants (qualified tenants include the disabled, families with children, those over age 62, and lower income tenants) who have lived in the unit for more than three years. The relocation amounts are based on those currently required for no-fault evictions under the City of Los Angeles Rent Stabilization Ordinance.

As noted earlier, the City of Burbank residential development strategy is partially dependent on demolition and redevelopment of land on which there are existing residential structures. The costs of relocation under the measure may have some impact on the financial feasibility of private redevelopment. However, the costs of relocating tenants, even at the

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<sup>6</sup>Pastor, Carter and Abood, "Rent Matters: What Are the Impacts of Rent Stabilization Measures?"; University of Southern California Dornsife Program for Environmental and Regional Equity; October 2018, page 14

<sup>7</sup>Montejo, Barton, Moore, "Opening the Door for Rent Control: Toward a Comprehensive Approach to Protecting California Renters," 2018, Haas Institute for a Fair and Inclusive Society

<sup>8</sup>Burbank Section 8 Rent Survey

highest amount, would not significantly increase the total costs of a higher density residential development project.<sup>9</sup>

### ***Effect on the Availability of Housing***

The measure would have an impact on the *availability of housing* to the degree that it:

- Affects the affordability of the housing stock.
- Increases the likelihood that existing affordable rental housing stock would be lost due to conversion to condominiums, tenants in common, or demolition.
- Increases the likelihood that existing tenants remain longer in their existing units than renters in non-stabilized units.
- Discourages the development of new housing.

### **Affordability of Rental Housing**

According to most studies, rent stabilization ordinances have a direct benefit to tenants by reducing increases in rent over time relative to market rents<sup>10</sup>. This is especially true when housing production is not keeping pace with demand as has been the case in much of coastal California (Los Angeles County is considered coastal California) for the past few years. Lower income tenants who are generally disproportionately rent burdened (i.e., are paying a high proportion of their income for rent) have less economic room to address rent increases in excess of their rise in incomes<sup>11</sup> and are most at risk for displacement when rents are rising faster than incomes<sup>12</sup>. However, rent stabilization

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<sup>9</sup>Depending on the assumptions used, likely to be less than 1.5% of total costs. The costs of new construction are described in “The Hard Costs of Construction: Recent Trends in Labor and Materials Costs for Apartment Buildings in California”; Terner Center for Housing Innovation, UC Berkeley; March 2020

<sup>10</sup>Pastor, Carter and Abood; “Rent Matters: What Are the Impacts of Rent Stabilization Measures?”; University of Southern California Dornsife Program for Environmental and Regional Equity; October 2018, page 10

<sup>11</sup>Katz, Chesney, King, Vestal; “People Are Simply Unable to Pay Rent: What History Tells Us About Rent Control in Los Angeles” UCLA Luskin Center for History and Policy, page 15; and Montojo, Barton, Moore, “Opening the Door for Rent Control: Toward a Comprehensive Approach to Protecting California Renters,” 2018, Haas Institute for a Fair and Inclusive Society, page 12

<sup>12</sup>“Curbing Runaway Rents: Assessing the Impact of a Rent Cap in California”; Terner Center for Housing Innovation, UC Berkeley; July 2019

ordinances are not targeted to any particular income group, benefitting renters regardless of their ability to pay.<sup>13</sup>

There is some evidence that rent stabilization can slightly depress rents in the overall rental market, and other evidence that it may increase the cost of non-regulated units. The USC study concluded that, on balance, rent stabilization did not increase rental housing costs in non-regulated units.<sup>14</sup>

The Tenant Protection Act (AB 1482) allows rent increases over the CPI, while the proposed Burbank ordinance would limit rent increases to the CPI, but no greater than 7%. This would mean an increased benefit to renters, and a corresponding reduction in income to landlords relative to the AB 1482. The Burbank measure also includes local administration capabilities lacking in the state initiative. Under the measure, the local agency is charged with outreach, education, and enforcement. Local tenants are therefore more likely to be informed of their rights and have better access to resources that can address violations under the measure than under state law.

### **Loss of Rental Housing**

Rent stabilization ordinances increase the potential for rental units to be removed from the rental housing stock by increasing the likelihood that:

- Building owners (and/or close family members) will move into their former rental units (as allowed by all just-cause ordinances);
- Buildings will be converted to tenants-in-common ownership (essentially, another form of owner move-in); and
- Buildings are removed from the rental market (permitted by state law under the Ellis Act) and converted to condominiums or demolished to make way for new development.

This loss of rental housing has been particularly pronounced in very high demand cities such as San Francisco<sup>15</sup> where an over-heated housing market has increased the differential between stabilized rents and the

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<sup>13</sup>Pastor, Carter and Abood; "Rent Matters: What Are the Impacts of Rent Stabilization Measures?"; University of Southern California Dornsife Program for Environmental and Regional Equity; October 2018, page 20

<sup>14</sup>Ibid, page 11

<sup>15</sup>Diamond, McQuade, Xian, "The Effects of Rent Control Expansion on Tenants, Landlords and Inequality: Evidence from San Francisco," American Economic Review, September 2019

market thereby encouraging conversion and/or demolition. One study found that the rent stabilization ordinance in San Francisco may have had the perverse effect of increasing gentrification in the city due to the loss of relatively affordable rental units, replaced by more expensive units.

Other studies have disputed this finding, noting that the San Francisco residential market is unique, and that gentrification is a product of numerous factors besides rent stabilization.<sup>16</sup> Other studies have also noted that the loss of some affordable housing stock must be balanced against the ability of renters to remain in a community due to rent stabilization ordinances, despite rapidly escalating market rents.<sup>17</sup> Many cities have adopted ordinances limiting condominium conversion to reduce the loss of existing rental housing.

As mentioned previously, the Burbank measure includes a relocation fee for no-fault evictions that is higher than the state fee, but similar to fees charged in the City of Los Angeles. This relatively high cost of relocating tenants may discourage condominium conversion since it raises the cost of conversion. As noted earlier, the fee may also have some impact on the feasibility of private redevelopment of underutilized property to develop new housing.

Academic literature is inconclusive on the impact of rent regulation on so called “mom and pop” landlords. This is largely because there is no accepted definition of what the term means. The USC study cited earlier did mention the question but was not able to make any definitive findings. It mentioned that some other research has implied that such landlords may not be as “profit seeking” as other types of landlords, but there is little to no hard evidence of this.

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<sup>16</sup>Pastor, Carter and Abood; “Rent Matters: What Are the Impacts of Rent Stabilization Measures?”; University of Southern California Dornsife Program for Environmental and Regional Equity; October 2018, page 12

<sup>17</sup>Ibid, page 16 and Montojo, Barton, Moore, “Opening the Door for Rent Control: Toward a Comprehensive Approach to Protecting California Renters,” 2018, Haas Institute for a Fair and Inclusive Society, page 26

### **Renters Remaining in Place**

Under rent stabilization ordinances tenants tend to stay in place longer than tenants in uncontrolled units.<sup>18</sup> Renters who might be displaced by increasing rents are able to remain in the community, and renters who might move due to changes in personal circumstances or jobs tend to stay in rent stabilized units rather than absorb the increased costs associated with moving to a unit at market rate even if they can afford to do so. The units these tenants are remaining in are older than 25 years (under Costa-Hawkins) and therefore tend to be relatively more affordable than newer units. This means there are fewer units, and especially fewer older, relatively affordable units, available for people who might like to move to Burbank (or relocate within Burbank). On the other hand, tenants who might not be able to afford rapidly increasing rents are able to remain in their existing units rather than be displaced to locations outside the community, potentially further from an existing job or family.

### ***Effect on Rental Housing Development***

As discussed under land use, there is no evidence that rent stabilization ordinances under current California law have an impact on rental housing construction. It should be noted however that Measure RC includes some unusual provisions that arguably could impact rental housing development, especially if existing Costa-Hawkins provisions are eliminated.

### ***Effect on the Location of Housing***

The measure would have an impact on the *location* of housing to the degree it:

- Decreases the likelihood that new housing would be developed in Burbank, thereby increasing demand in other locations.
- Decreases or increases the likelihood of housing being developed in some locations in Burbank relative to other locations.
- Increases or decreases the likelihood that renters are able to remain in their existing homes rather than be displaced to other locations in Burbank or the region.

As discussed above, there is no recent evidence that rent stabilization ordinances with vacancy decontrol and an exemption for new

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<sup>18</sup>Pastor, Carter and Abood; "Rent Matters: What Are the Impacts of Rent Stabilization Measures?"; University of Southern California Dornsife Program for Environmental and Regional Equity; October 2018, page 16

development have a significant impact on where rental housing is developed. Similarly, there is no evidence that rent stabilization would affect the location of rental housing within Burbank.

As discussed under Housing Availability, renters in rent-stabilized units are less likely to be displaced due to rent increases and tend to remain in place longer than tenants in non-stabilized units. Rent stabilization therefore increases the locational choices of existing tenants that would otherwise be displaced and decreases the locational choices of those that would like to move to a rent stabilized community.

### ***Effect on Ability of City to meet its Regional Housing Needs***

As noted earlier, the City's share of regional housing needs that it is expected to accommodate between 2021 and 2029 is more than three times the amount it was previously expected to accommodate in the period from 2014 to 2021. The measure would have an impact on the City's ability to meet this need if it:

- Discouraged the development of housing in Burbank, and
- Increased the costs of developing housing in Burbank relative to other locations in the region.

As discussed above, there is no evidence that rent stabilization as practiced under current California law has an impact on rental housing development. As also previously discussed, one key difference between the proposed measure and the Tenant Protection Act is the amount of relocation assistance required for no-fault evictions, such as those that would occur when a residential property is demolished in order to allow for new higher density development.

The higher fee may have an impact on the cost of developing housing in Burbank relative to other communities in the state and region, although, at least initially, it will be the same fee as currently required for the adjacent City of Los Angeles. The costs of relocating tenants would add a small percentage to the overall costs of a higher density residential development project on the same site.

4. ***Infrastructure Impacts.*** The proposed measure would have no direct impact on transportation, schools, public facilities, or infrastructure. The measure would have an indirect impact on these public facilities to the degree it increases or decreases revenue for the development and maintenance of these facilities. This issue is addressed in the Fiscal Impact section of this report.

5. ***Business Attraction, Retention and Employment.*** The measure has no direct impact on the City's ability to attract and retain businesses and employment. It would have indirect impacts if it:
- Decreased investment in home maintenance thereby affecting the character of neighborhoods and the desirability of the community for business location and investment.
  - Increased or decreased the ability for employees to live near their jobs.

Impact on Business Location. As discussed earlier, rent stabilization allows some renters to remain in Burbank that might otherwise be displaced by increased rents. Some Burbank businesses benefit from having employees who can live in the community and would potentially lose that benefit (and perhaps the employee) if the employee is forced to move away due to rapidly increasing rent.

On the other hand, as described earlier, rent stabilization ordinances tend to encourage tenants to remain in rent-stabilized units even after they might normally have moved on. Moreover, rent stabilization leads to the loss of some rental housing, thereby diminishing the supply of available rental units. Rent stabilization therefore leads to there being fewer of the older, comparatively affordable units available for those who would like to move into Burbank to be near their jobs.

Overall, it is unlikely that rent stabilization ordinances have a significant impact on business location decisions. In a regional housing market where many people do not live in the same community as their employment, the more significant concern of business is the general availability and affordability of housing in their commute-shed, rather than whether there is marginally more or less housing in the particular community in which they've located.

6. ***Vacant Land.*** As noted in earlier sections, the measure may have a slight impact on the feasibility of private redevelopment, but the affect is small and therefore would not be expected to affect the amount or location of new development in the City or on the uses of vacant parcels of land.
7. ***Agricultural Lands, Open Space, Traffic Conditions, Business Districts and Revitalization Areas.*** The proposed measure would not have an impact on agricultural or open space lands. The proposed measure would not have an impact on traffic congestion or existing business districts. To the degree it affects the feasibility of private redevelopment, it may have an impact on areas designated for revitalization if those areas were

planned for significant amounts of rental housing as part of a  
revitalization strategy.



## Conclusion

Rent regulation in California is not widespread among California cities. The vast majority of small and medium-sized cities have not felt the need for such regulations.

However, it is more common in the largest cities in the state and in highly urbanized areas such as the Bay Area where density is higher, and apartments are a large part of the housing stock. In addition, there has been an undeniable increase in political energy around rent regulation in the last four years or so when housing costs in California spiked. This has been reflected in more cities being added to the list of those with rent regulation in the state as well as a new State law, the Tenant Protection Act (AB 1482) aimed at providing protection from “egregious” rent hikes, and the placement of Proposition 21 on the November ballot that would eliminate certain state-wide provisions limiting rent regulation.

While renters and apartment owners have had some pitched battles over rent regulations, studies of the actual impact of such regulations as reviewed in this report generally come to more equivocal conclusions. Specifically, objective research has found little impact on housing development or affordability flowing from such regulations.

One reason for the lack of impact may be that California State law since 1995 has required that any rent regulations allow for “vacancy decontrol” which essentially provides for a reset to market rates whenever a vacancy occurs. This provision along with the fact that most rent regulations do allow for gradual cost of living rent increases to provide a fair return, has allowed for an environment in which renters can obtain some stability, while landlords can periodically recalibrate rent with the market as vacancies occur. These provisions coupled with a lack inflation allowed a sort of equilibrium to occur for most of the last 25 years.

The extremely hot housing market of the last few years upset this equilibrium and led to the political energy mentioned above. For example, in the period from 2011 to 2019 market rents rose by approximately 34.8% in Burbank. It should be noted that this was after market rents fell by 10.2% during the Great Recession (2008 to 2010), And,

as this report is written they are falling again as a result of the COVID-19 recession.

Over the long run the market for housing, while not perfect, does respond, but the long run is not where “people live” so during periods such as 2011 to 2019 when rents are increasing faster than the cost of living or wages concern about rent levels is understandable. This is what led to Burbank’s Measure RC.

Rent regulation in California is a well-traveled path and this measure in and of itself is not terribly different from several other rent regulation approaches that are readily observable around the state. What is different about Measure RC, if it passes, is how it will work if Proposition 21 (also on the November ballot) passes. As has been detailed in this analysis, Measure RC was drafted with Proposition 21’s potential passage in mind. It has been designed to allow the Landlord-Tenant Commission (acting independent of the City Council) to broaden rent regulation and just cause eviction provisions to virtually all rental housing in the City of Burbank, by including significant numbers of rental single-family homes and condominiums into the rent regulated housing stock.

How one feels about this measure is probably a function of one’s view of rent regulation, but what is certain is that if Proposition 21 and Measure RC are passed by the voters, Burbank will find itself as a path-breaker in rent regulation. This is because by covering the majority of all rental units with rent stabilization requirements, just cause eviction rules, and a much different initial rent setting approach for new tenancies, Burbank will have a more extensive rent stabilization framework than perhaps any city in the state.

Of course, we cannot know what regulations the Landlord-Tenant Commission will embrace, we can only read the language in Measure RC. Nor can we know the future of inflation in the national/regional economy. The less inflation, the more effective the vacancy decontrol provisions in Proposition 21 will be in allowing or approximating market level rents with new tenancies.

With almost no real-world information on how this changed situation will impact the overall rental market and housing production, we cannot know what this situation might bring. We do know that in all likelihood, Burbank will be among the first to find out, if both Proposition 21 and Measure RC pass this November.