

Expanded Rent Control Dead — For Now

Yesterday California voters rejected Prop.10, which would have expanded the ability of local governments to implement more comprehensive rent control. As California community owners, local rent control is something most of you are all too familiar with.

The controversial proposition highlighted California's housing supply shortage and fueled the debate over the future of the state's housing market. The measure's supporters argued that Prop.10 would provide tenants relief from the State's unprecedented housing affordability problem. Opponents contended that Prop.10 would discourage investment in housing construction, already at low levels, making the housing crisis worse. Surprisingly the vote was not close with 62 percent against and 38 percent for Prop.10.

What are the Takeaways?

- The voters have spoken: rent control will not be expanding — for now.

A no vote does not mean rent control debate is going away. This was a heavy and impressive lift for affordable housing proponents to run a major statewide campaign. Voters are more engaged in this issue than before the vote. As a progressive state, with a large construction industry and a housing crunch, California was the test state. If expanded rent control had passed here, similar measures were expected in other states.

- It's all about the politics. The civil discourse around housing supply and rent control Prop. 10 fueled has created the potential for political progress and serious discussions on how to expand affordable housing opportunities. Renters, owners, developers, jurisdictions, and lenders will need to work together on these issues.

Prop. 10 should remind MH community and apartment owners that political decisions about their businesses are going to be made at all levels of government (with or without them), and the time to engage is now before new voter initiatives are placed on State or local ballots.

- The political players are big. The Prop. 10 campaigns combined spent more than \$100 million. This is more than what was spent on California's Senate race. Voters are now more informed and engaged. These issues will be back one way or another.

What does the future hold? Policymakers and renter advocates have become hyper sensitive to the housing shortage. Expect a bloom of ideas and proposals: the good, the bad, and the ugly.

Some tools likely to be explored include the expansion of community benefit agreements (to build community consensus around major properties), and the expansion of inclusionary zoning (to build mixed-income communities).

What can you do to protect your MH communities and other rental housing investments?

The same thing we always strongly encourage, long-term leases (to increase price certainty for landlord and tenant alike). It may require a willingness to provide incentives and other techniques to implement, but nothing else will protect the net operating income of your assets against the next wave of rent control.

Also, you need to get involved with elected officials and tenants. Build relationships. Educate city council members and tenants that rent control creates more problems than solutions.



Thomas W. Casparian

Member

tcasparian@cozen.com
Phone: (310) 460-4471
Fax: (310) 594-3082



Duane M. Montgomery

Member

dmontgomery@cozen.com
Phone: (310) 460-4478
Fax: (310) 594-7304



Susy Forbath

**Regulatory and
Government
Relations
Professional**

sforbath@cozen.com
Phone: (310) 309-4500
Fax: (310) 594-7308

Related Practice Areas

- Manufactured Housing

If you would like to learn more about the issues discussed in this Alert, please contact the Manufactured Housing Practice Group.