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Sent: Tuesday, April 2, 2019 1:49 PM
To: CityClerk <CityClerk@longbeach.gov>
Cc: Charles Parkin <Charles.Parkin@longbeach.gov>; Michael Mais <Michael.Mais@longbeach.gov>
Subject: AGENDA ITEM 19: OPPOSITION TO CITY COUNCIL ACTION TO CONTROL RENTS AND PROVIDE RELOCATION FEES, 4/2/2019

The front page of the Press-Telegram last week (Tuesday, March 26, 2019) was “Housing Report: LB rents up 28% in decade” and stated that City Officials are seeking a middle ground between tenants’ and landlords’ policy goals.

The fact that Long Beach rents have only increased 28% in the last decade is something that Long Beach should be proud about. If this 28% in the last decade for Long Beach is compared to the rent controlled units in the City of LA, the rents would have increased 34.39% in addition to each tenant paying an additional \$746.13 in this decade for Systematic Code Enforcement Program Fees (SCEP) and Rent Stabilization Ordinance (RSO) Fees charged by the City of LA, not including additional fees paid only by the landlord to the City of LA. I’ve attached a schedule computing the rent increases of an apartment unit renting for \$1,000/month in 2009, which would be limited to 3% annual rent increases under the City of Los Angeles RSO Ordinance for years 2009 - 2019. This 3% only addresses those units under LA Rent Control and not the many other newer rental units in the City of LA not subject to rent control that were built after 1978. Referring to LB Staff’s Research And Analysis, Page 44 in the Staff Supporting Documents, only one zip code in Long Beach, 90802, had rent increases slightly above the LA City 34.39% (3% over 10 years = 34.39% + \$746.13 in SCEP and RSO fees) and that schedule includes all of Long Beach rents, unlike the one I prepared for LA City rent controlled units which is only properties built before October 1, 1978. So Long Beach has never had the high rents charged in the City of LA and Long Beach operates more efficiently with lower rents than LA City does under rent control.

The bottom line is that rents, without any rent control or government interference have increased far less in Long Beach over the last decade than under rent control at 3% a year in the City of LA next door. Rent control doesn’t work to provide more low income housing and instead reduces the supply of rental housing in the long run. Long Beach should be focusing on encouraging development to increase the supply of housing rather than creating fixes that have never worked historically and actually decrease the rental housing supply which makes the demand higher and results in higher rents...the reverse of what it was intended to accomplish.

This is beginning economics: Short supply, high demand, higher prices. More units, low demand, lower prices. The results of a Stanford Study of rent control in San Francisco showed that “rent control reduced rental housing supplied by 15% by selling to owner-occupants and redeveloping buildings. Thus, while rent control prevents displacement of incumbent renters in the short run, the lost rental housing supply likely drove up market rents in the long run, ultimately undermining the goals of the law.” (Reference: “The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco”, March 4, 2019, by Sanford University staff, Rebecca Diamond, Tim McQuade & Franklin Qian).

Many of the rental units in Long Beach were built 70 - 100 years ago and require lots of maintenance and frequently extensive renovation where a tenant can not remain in the unit because it takes several months to do the work and usually requires no plumbing or heat during this work. The cost is substantial and the unit can not be renovated without a large increase in the rent when it is completed.

Tell a landlord he/she can't raise the rent, and major repairs and renovations will be delayed or never happen. With rents locked in place or limited, upgrades don't pencil out. Landlords are not in business to provide housing for low-income families, they want to make a reasonable return on their investments just like any other business owner. Keep a ceiling on rents as maintenance, taxes, insurance premiums and utilities rise and landlords will convert apartments into condos, sell them and invest the cash elsewhere. This has consistently happened in San Francisco, Los Angeles and other rent controlled cities.

Those living in rent-controlled apartments, meanwhile, find it difficult to move – because they'll never find rent that low again. So they stay and now new residents of the city have much more difficulty finding apartments. Also the cost of any renovation to these older units increases considerably when the landlord has to pay a relocation fee to all tenants irrespective of the income level of the tenants. If landlords are limited on rent increases for existing tenants then new tenants must pay a higher rent to make up the difference in rent but also incorporated into the increased new rents must be the proposed tenant relocation fees. So the proposed tenant assistance relocation fees now result in another increase in rents within Long Beach caused by government interference with housing supply and demand.

"Rent is high in California because the state does not have enough housing for everyone who wants to live here," the state's Legislative Analyst's Office wrote when reviewing Prop. 10. "People who want to live here must compete for housing, which increases rents." Prop. 10 was rejected by voters.

Rent control is a quick fix idea that doesn't fix anything and only worsens the local and state's housing crisis. It's repeatedly pushed as a quick fix to a complicated problem. And, more significantly, rent control discourages new rental housing construction, the very thing we need to ease the housing crisis.

In a New York Times Editorial in 2000, Paul Krugman, a Graduate Professor of Economics and a 2008 Nobel prize winner in Economics wrote:

"The analysis of rent control is among the best-understood issues in all of economics, and -- among economists, anyway -- one of the least controversial. In 1992 a poll of the American Economic Association found 93 percent of its members agreeing that "a ceiling on rents reduces the quality and quantity of housing." Almost every freshman-level textbook contains a case study on rent control, using its known adverse side effects to illustrate the principles of supply and demand. Sky-high rents on uncontrolled apartments, because desperate renters have nowhere to go -- and the absence of new apartment construction, despite those high rents, because landlords fear that controls will be extended? Predictable. Bitter relations between tenants and landlords, with an arms race between ever-more ingenious strategies to force tenants out -- what yesterday's article oddly described as "free-market horror stories" -- and constantly proliferating regulations designed to block those strategies? Predictable." [ref: NY Times Ed, June 7, 2000, Reckonings; A Rent Affair]

Nothing has changed since 2000 except the problem has worsened. The solution is not to impose price controls, which is exactly what rent control and tenant assistance fees do -- the solution is to encourage development so that supply can meet demand.

The money that landlords have to pay for tenant relocation fees doesn't just fall out of the sky, it has to come from increased rents to other tenants, and so this vicious cycle starts of additional fees and costs that keep rising without the government giving any recognition to supply and demand and the real solution that needs to be addressed – how do we create more housing in Long Beach rather than

regulate and negatively impact the housing we already have that has been operating more efficiently over the last decade than rent control in LA City?

Abraham Lincoln said "You can't please all the people all the time." There are always going to be situations where a few bad tenants or a few bad landlords do something wrong but maybe not illegal but don't punish the rest of the landlords or destroy the supply and demand housing structure to accommodate those isolated situations. That is shortsighted and harmful to the housing development of this City in the long run.

What is proposed before the Long Beach City Council is only going to make the problem worse and reduce the quality and quantity of housing in Long Beach – a fact undisputed by economists and ignored by our public officials. It will most definitely pit landlords and tenants against each other. Landlords will expect that this is the tip of the iceberg and more price controls and regulatory fees will follow. That's why I oppose the City Council action to set any limits on rents or provide relocation fees that ultimately increase the cost of apartments to all tenants. Let's concentrate instead on increasing the supply of available housing.

How do you increase the supply of available housing in Long Beach?

1. Allow developers to build smaller units for single adult occupants perhaps having shared kitchens or facilities (especially good for college students),
2. Allow neighborhoods with single family houses to separate them into a duplex,
3. Encourage owners to build granny flats that can be rented out which would help with the cost of ownership in this very expensive state,
4. Increase the density allowance when zoning, etc. etc. etc.

I am sure there are lots of suggestions that might be made if we start asking the right questions instead of looking to the quick fix of rent control that has never worked.

If the City Council wants to assist low-income tenants with their rent, then they can devise a program for rent assistance vouchers that is much more effective and can be monitored and given to tenants according to their need and income qualifications. Don't start regulating something that's working better than LA City under rent control and doesn't need "fixing" by the government – and it will make rents overall more expensive than they already are and negatively impact future housing development in the City of Long Beach.

I hope that you will share this information with others. Thank you for your time and consideration.

Respectfully submitted,
Carol Shaw
32 Year Resident of Long Beach
and Property Owner

See attached: City of LA Annual Rent Increase Schedule Over Last Decade at 3% Per Year

CITY OF LOS ANGELES
 ANNUAL RENT INCREASE SCHEDULE OVER
 LAST DECADE AT 3% PER YEAR
 2009 - 2019

YEAR	RENT % INC/YR	AMT. INC.	CURRENT RENT	SCEP+RSO FEES/YR TENANT PAYS IN LA
2009			\$ 1,000.00	\$ 67.83
2010	3%	\$ 30.00	\$ 1,030.00	\$ 67.83
2011	3%	\$ 30.90	\$ 1,060.90	\$ 67.83
2012	3%	\$ 31.82	\$ 1,092.72	\$ 67.83
2013	3%	\$ 32.78	\$ 1,125.50	\$ 67.83
2014	3%	\$ 33.76	\$ 1,159.26	\$ 67.83
2015	3%	\$ 34.77	\$ 1,194.03	\$ 67.83
2016	3%	\$ 35.82	\$ 1,229.85	\$ 67.83
2017	3%	\$ 36.89	\$ 1,266.74	\$ 67.83
2018	3%	\$ 38.00	\$ 1,304.74	\$ 67.83
2019	3%	\$ 39.15	\$ 1,343.89	\$ 67.83
			34.39% INCREASE	\$ 746.13
Mar-19				