

PROPOSITION  
**21** EXPANDS LOCAL GOVERNMENTS' AUTHORITY TO  
ENACT RENT CONTROL ON RESIDENTIAL PROPERTY.  
INITIATIVE STATUTE.

OFFICIAL TITLE AND SUMMARY

PREPARED BY THE ATTORNEY GENERAL

The text of this measure can be found on the Secretary of State's website at [voterguide.sos.ca.gov](http://voterguide.sos.ca.gov).

- Amends state law to allow local governments to establish rent control on residential properties over 15 years old. Allows local limits on annual rent increases to differ from current statewide limit.
- Allows rent increases in rent-controlled properties of up to 15 percent over three years at start of new tenancy (above any increase allowed by local ordinance).
- Exempts individuals who own no more than two homes from new rent-control policies.
- In accordance with California law, prohibits rent control from violating landlords' right to fair financial return.

**SUMMARY OF LEGISLATIVE ANALYST'S ESTIMATE OF NET STATE AND LOCAL GOVERNMENT FISCAL IMPACT:**

- Overall, a potential reduction in state and local revenues in the high tens of millions of dollars per year over time. Depending on actions by local communities, revenue losses could be less or more.

ANALYSIS BY THE LEGISLATIVE ANALYST

**BACKGROUND**

**Rental Housing Is Expensive in California.** Renters in California typically pay 50 percent more for housing than renters in other states. In some parts of the state, rent costs are more than double the national average. Rent is high in California because the state does not have enough housing for everyone who wants to live here. People who want to live here must compete for housing, which increases rents.

**Several Cities Have Rent Control Laws.** Several California cities—including Los Angeles, San Francisco, and San Jose—have laws that limit how much landlords can increase rents for housing from one year to the next. These laws often are called rent control. About one-fifth of Californians live in cities with rent control. Local rent boards carry out rent control. These boards are paid for with fees on landlords.

**Court Rulings Limit Local Rent Control.** Courts have ruled that rent control laws must allow landlords to receive a "fair rate of return." This means that landlords must be allowed to increase rents enough to receive some profit each year.

**State Law Limits Local Rent Control.** A state law, known as the Costa-Hawkins Rental Housing Act (Costa-Hawkins), limits local rent control laws. Costa-Hawkins creates three main limitations. First, rent control cannot apply to any single-family homes. Second, rent control can never apply to any newly built housing completed on or after February 1, 1995.

Third, rent control laws cannot tell landlords what they can charge a new renter when first moving in.

**State Law Limits Rent Increases.** In addition to local rent control allowed by Costa-Hawkins, a new state law limits rent increases for most rental housing in California. Landlords cannot increase rent by more than 5 percent plus inflation in a year, or 10 percent, whichever is lower. This applies to most housing that is more than 15 years old. This law lasts until January 1, 2030.

**State and Local Government Tax Revenues.** Three taxes are the largest sources of tax revenue for the state and local governments in California—personal income tax, property tax, and sales tax. The state collects a personal income tax on income—including rent received by landlords—earned within the state. Local governments levy property taxes on property owners based on the value of their property. The state and local governments collect sales taxes on the retail sale of goods.

**PROPOSAL**

**Allows for Expansion of Rent Control.** The measure modifies the three main limitations of Costa-Hawkins, allowing cities and counties to apply rent control to more properties than under current law. Specifically, cities and counties can apply rent control to most housing that is more than 15 years old. This does not include single-family homes owned by people with two or fewer properties. In addition, cities and

**ANALYSIS BY THE LEGISLATIVE ANALYST**

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counties can limit how much a landlord can increase rents when a new renter moves in. Communities that do so must allow a landlord to increase rents by up to 15 percent during the first three years after a new renter moves in.

**Requires Fair Rate of Return.** The measure requires that rent control laws allow landlords a fair rate of return. This puts the results of past court rulings into state law.

**FISCAL EFFECTS**

**Economic Effects.** If communities respond to this measure by expanding their rent control laws beyond the existing protections for renters, it could lead to several economic effects. The most likely effects are:

- To avoid rent regulation, some landlords would sell their rental housing to new owners who would live there.
- The value of rental housing would decline because potential landlords would not want to pay as much for these properties.
- Some renters would spend less on rent and some landlords would receive less rental income.
- Some renters would move less often. For example, fewer renters would move because their rents increase.

The size of these effects would depend on how many communities pass new laws, how many properties are covered, and how much rents are limited.

**Changes in State and Local Revenues.** The measure's economic effects would affect property tax, sales tax, and income tax revenues. The largest and most likely impacts are:

- **Less Property Taxes Paid by Landlords.** A decline in the value of rental properties would lead to a decrease in property tax payments made by owners of those properties over time. These property tax losses would be partially offset by higher property tax payments resulting from the sales of rental housing. This is because property sales often cause property tax bills to reset at a higher level. Revenue losses from lower property values would be larger than revenue gains from increased sales. Because of this, the measure would reduce overall property tax payments.

- **More Sales Taxes Paid by Renters.** Renters who pay less in rent would use some of their savings to buy taxable goods.
- **Change in Income Taxes Paid by Landlords.** Landlords' income tax payments would change in several ways, both up and down. The overall effect on state income tax revenue is not clear.

Overall, the measure likely would reduce state and local revenues over time. The largest effect would be on property taxes. The amount of revenue loss would depend on many factors, most importantly how communities respond to this measure. For example, if communities that already have rent control expand their rules to include newer homes and single-family homes, revenue losses could be in the high tens of millions of dollars per year. If many communities create new rent control rules, revenue losses could be larger. If few communities make changes, revenue losses would be minor.

**Increased Local Government Costs.** If cities or counties create new rent control laws or expand existing ones, local rent boards would have increased costs. Depending on local government choices, these costs could range from very little to tens of millions of dollars per year. These costs likely would be paid by fees on owners of rental housing.

Visit <http://cal-access.sos.ca.gov/campaign/measures/> for a list of committees primarily formed to support or oppose this measure.

Visit <http://www.fppc.ca.gov/transparency/top-contributors.html> to access the committee's top 10 contributors.

If you desire a copy of the full text of this state measure, please call the Secretary of State at (800) 345-VOTE (8683) or you can email [vigfeedback@sos.ca.gov](mailto:vigfeedback@sos.ca.gov) and a copy will be mailed at no cost to you.



★ ARGUMENT IN FAVOR OF PROPOSITION 21 ★

VOTE YES ON PROPOSITION 21! KEEP FAMILIES IN THEIR HOMES, PRESERVE AFFORDABLE HOUSING, STOP HOMELESSNESS, AND SAVE TAXPAYERS MONEY.

Where are people supposed to live in California? The housing crisis rages on as rising rents and stagnant wages leave many behind. The consequences are felt by everyone. Neighbors are forced from communities, renters face uncertainty, and the most vulnerable people end up on the streets. Small businesses are squeezed as renters spend less in their communities and workers face longer commutes.

Living paycheck to paycheck makes it difficult for teachers, grocery clerks, and nurses to afford housing in the communities they serve, while still having enough money for basics like groceries, gas, and childcare. And skyrocketing rents have led to over 150,000 homeless people living on the streets.

The crisis is only getting worse. The coronavirus pandemic has left millions of workers unemployed and at risk of losing their homes. According to a UCLA study, we are facing a surge in homelessness.

By tackling one of the root causes of the crisis, Prop. 21:

• **SAVES TAXPAYERS MONEY**

A 2017 study found that just a 5 percent increase in rent pushes 2,000 Los Angeles residents into homelessness. The burden of rising homelessness in California is paid for by taxpayers. The cost of homelessness, estimated at \$35,000 to \$45,000 annually per homeless person, is unsustainable. Prop. 21 ensures that fewer people lose their homes, saving taxpayers money.

• **KEEPS FAMILIES IN THEIR HOMES**

Prop. 21 will help children, parents, seniors, and essential workers stay in their homes. Right now, children are pushed out of their schools, parents are forced into long commutes, and seniors are faced with unaffordable rents. More and

more people are being pushed out onto the streets. Proposition 21 provides reasonable and predictable rent increases for members of our community.

• **BRINGS STABILITY TO SENIORS AND VETERANS**

Seniors and veterans are struggling with devastatingly high rents, leaving little for food, medical care, and other necessities. Prop. 21 allows local communities to limit their rent increases and preserve affordable housing. It helps seniors and veterans stay in their homes.

• **PROTECTS SINGLE-FAMILY HOMEOWNERS**

Prop. 21 exempts single-family homeowners. If you are not in the rental home business, you will NOT be affected by Prop. 21.

• **KEEPS HOUSING COSTS DOWN**

Families, teachers, and nurses are struggling to find housing due to skyrocketing rents. Prop. 21 allows our communities to preserve affordable housing and encourages the construction of new homes. This will make housing affordable for all.

• **GUARANTEES LANDLORDS A PROFIT**

Prop. 21 GUARANTEES landlords a profit. It is fair to mom-and-pop landlords and renters alike.

YES on Prop. 21 is supported by a broad coalition of elected officials, labor unions, civic organizations, national social justice groups, local tenants unions, and legal aid organizations. Proposition 21 helps families, children, senior citizens, and veterans stay in their homes. Learn more at [yeson21ca.org](http://yeson21ca.org).

**DOLORES HUERTA**, President

The Dolores Huerta Foundation

**KEVIN DE LEÓN**, President pro Tempore Emeritus  
California State Senate

**CYNTHIA DAVIS**, Chair of the Board of Directors  
AIDS Healthcare Foundation

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★ REBUTTAL TO ARGUMENT IN FAVOR OF PROPOSITION 21 ★

PROP. 21 WILL MAKE THE HOUSING CRISIS WORSE

With millions of people out of work and struggling just to stay in their homes, the last thing we should do is repeal California's rental housing protections with no solution.

It's why civil rights leaders, affordable housing advocates, seniors, veterans and a broad coalition of business and labor organizations oppose Prop. 21.

"Prop. 21 encourages landlords to evict tenants, and would result in less rental housing supply, higher housing costs and more homelessness."—*Alice Huffman, President, California State Conference of the NAACP*

REASONS TO VOTE NO ON PROP. 21

Californians should reject this scheme that makes the housing crisis worse. Prop. 21: • Undermines the strongest statewide rent control law in the nation • Costs jobs and stops affordable housing construction • Takes away basic homeowner protections • Would reduce home values up to 20 percent • Offers no protections for seniors, veterans or the disabled. • Contains no provisions to reduce rents or stop homelessness • Allows unelected boards to impose extreme price controls • Reduces state and local funds by tens of millions of dollars annually for priorities like local

schools and fire safety

PROP. 21 IS OPPOSED BY BIPARTISAN LEADERS AND ORGANIZATIONS

Opponents include: • California State Conference of the NAACP • California Council for Affordable Housing • Coalition of Small Rental Property Owners • American Legion, Department of California • California Chamber of Commerce • Women Veterans Alliance • Nearly 50 local unions • United Latinos Vote • California Taxpayers Association.

DEMAND REAL SOLUTIONS

Voters overwhelmingly rejected the same failed scheme two years ago. Vote NO on 21 and demand real solutions to our housing crisis, like putting people back to work by creating affordable and middle-class housing. Get the facts at [NoOnProp21.vote](http://NoOnProp21.vote)

**ALICE HUFFMAN**, President

California State Conference of the NAACP

**MARILYN MARKHAM**, Board Member  
California Senior Advocates League

**ROBERT GUTIERREZ**, President  
California Taxpayers Association

★ ARGUMENT AGAINST PROPOSITION 21 ★

**PROP. 21 IS A DEEPLY FLAWED SCHEME THAT WILL INCREASE HOUSING COSTS AND HURT CALIFORNIA'S ECONOMIC RECOVERY**

If Prop. 21 seems familiar, it's because nearly 60% of California voters rejected the same flawed scheme in 2018. Seniors, veterans and affordable housing experts all oppose Prop. 21 because it will make housing less available and less affordable at a time when millions of Californians are struggling to get back to work and keep a roof over their heads.

The California Council for Affordable Housing calls Prop. 21 a "flawed idea." Here's how Prop. 21 will make things worse:

**REPEALS HOUSING LAW WITH NO SOLUTION**

Prop. 21 does nothing to address California's housing shortage. Instead, it undermines the strongest statewide rent control law in the nation signed by Gov. Newsom and enacted just last year with no plan to build affordable and middle-class housing or deal with the increasing problem of homelessness on our streets.

**ELIMINATES HOMEOWNERS PROTECTIONS**

Prop. 21 takes away basic protections for homeowners and allows regulators to tell single-family homeowners how much they can charge to rent out a single room. Millions of homeowners will be treated just like corporate landlords and subject to regulations and price controls enacted by unelected boards.

**REDUCES HOME VALUES UP TO 20%**

Non-partisan researchers at MIT estimate extreme rent control measures like this result in an average reduction in home values up to 20%. That's up to \$115,000 in lost value for the average homeowner. Californians can't afford to take another hit with the economic collapse threatening their home values and life savings.

**OFFERS NO PROTECTIONS FOR SENIORS, VETERANS OR THE DISABLED**

Prop 21 has no protections for seniors, veterans or the disabled, and it has no provision to reduce rents. Veterans, seniors, social justice organizations and the American Legion, Dept. of California, agree it's the last thing we need right now.

**ALLOWS EXTREME REGULATIONS**

Prop. 21 allows local governments to establish extreme and permanent regulations on nearly all aspects of housing. For example, even after a tenant moves out, property owners won't be able to establish rents at market rates or pay for investments in repairs or upgrades. It simply goes too far.

**MAKES THE HOUSING CRISIS WORSE**

Californians are experiencing a severe housing affordability crisis in the most devastating economic and public health emergency of our lifetimes. The last thing we should do is pass an initiative that will stop new housing from being built, cost jobs, and hurt the economic recovery.

**OPPOSED BY A BROAD BIPARTISAN COALITION**

Democrats and Republicans agree Prop. 21 will make the crisis worse. Opponents include: California Council for Affordable Housing • Disabled American Veterans, Dept. of California • California Housing Consortium • Vietnam Veterans of America, California State Council • California Chamber of Commerce

**DEMAND REAL SOLUTIONS**

We should vote "NO" on Prop. 21 and demand real solutions.

**VOTE NO ON PROPOSITION 21**

Learn more at [NoOnProp21.vote](http://NoOnProp21.vote)

**EDWARD J. GRIMSLEY**, State Commander  
American Legion, Dept. of California

**LORRAINE J. PLASS**, 3rd Vice Commander  
AMVETS, Dept. of California

**PATRICK SABELHAUS**, Executive Director  
California Council for Affordable Housing

★ REBUTTAL TO ARGUMENT AGAINST PROPOSITION 21 ★



**PROP. 21—THE CHANGE WE NEED TO TACKLE HOMELESSNESS**

A YES Vote on Proposition 21 is a vote to keep families together. A strong coalition of elected leaders; affordable housing providers; and senior, veteran, and homeless advocates agree that Proposition 21 will help keep families in their homes. Prop. 21:

- Protects millions of seniors, veterans, and working families
- Saves taxpayers money by preventing homelessness
- Preserves affordable housing
- Protects single-family homeowners

"Proposition 21 helps seniors stay in their homes. It protects them from becoming homeless and lets them live their lives in dignity, near family and friends."—*Ernie Powell, Social Security Works California*

"Prop. 21 gives our communities additional tools to keep vulnerable families in their homes. Proposition 21 will help seniors, veterans and workers."—*Ben Allen, California State Senator*

"More veterans become homeless every year due to the high cost of housing. Proposition 21 will help keep veterans from

becoming homeless."—*Jillynn Molina-Williams, Veterans Caucus Chair of the California Democratic Party*

"The single most important thing you can do to help nurses, teachers, firefighters, grocery workers and hotel workers stay in their homes is to VOTE YES ON PROPOSITION 21."

—*Ada Briceño, Co-President, UNITE HERE Local 11*

"Homelessness costs the state billions of dollars. This cost is passed down to taxpayers. Prop. 21 saves taxpayers money by keeping families in their homes."—*Jamie Court, President, Consumer Watchdog*

**CALIFORNIA NEEDS PROP. 21**

Vote YES on Proposition 21 to keep families in their homes!

Learn more at [Yeson21CA.org](http://Yeson21CA.org).

**DAVID CAMPOS**, Chair  
San Francisco Democratic Party

**ERNIE POWELL**  
Social Security Works

**JAMIE COURT**, President  
Consumer Watchdog