



PROPOSITION 10: "AFFORDABLE HOUSING ACT"

September 2018

SDCTA Position:

OPPOSE

Rationale for Position:

Proposition 10 does not address most of rent control measures' adverse effects identified in SDCTA's Rent Control principles.

Title: Proposition 10: "Affordable Housing Act"

Jurisdiction: State of California

Type: Initiative Constitutional Amendment

Vote: 55% Supermajority

Status: On the November 6, 2018 General Election Ballot

Issue: Rent Control

Description: Proposition 10 would repeal the limits on local rent control laws established in the Costa-Hawkins Act.

Fiscal Impact: The Legislative Analyst's Office estimates a potential net reduction in state and local revenues of tens of millions of dollars per year in the long term from less property taxes and income taxes paid by landlords and increased local government costs.

Proposition 10: "The Affordable Housing Act" is a statewide initiative that, if passed, would repeal the Costa-Hawkins Rental Housing Act. Often referred as "Costa-Hawkins," the act limits cities' abilities to enact rent control, preventing houses, condos and other units built after February 1, 1995 to be subject to rent control, and prohibits municipalities from expanding rent control to include "vacancy control," which prevents landlords from increasing the rents of vacant units to match market price.

Historically, the San Diego County Taxpayers Association (SDCTA) has opposed all forms of rent control, as it is counterproductive, expensive, and inefficient. SDCTA holds as a core principle that the government should not intervene in a mechanism that is best-served by the free market. The imposition of rent control by local governments equates to setting a price ceiling below the market value of a property to a given portion of the market, prompting several adverse effects. In September 2018, SDCTA developed principles to evaluate all forms of rent control as a way to address housing affordability challenges in California. Proposition 10 has been analyzed with those considerations in mind. A summary table of this analysis can be found below:

Proposition 10: “Affordable Housing Act”		
Criteria from Principle	Meets Criteria?	Comments
Creates New Affordable Housing and Disincentivizes Property Owners to Take their Properties Off the Market	No	Proposition 10 does not establish a plan to address the reduced availability of affordable and middle-class housing following a potential Costa-Hawkins repeal
Promotes New Construction and Development	No	Proposition 10 does not implement provisions or outline plans to incentivize new development
Incentivizes Property Maintenance and Prevents Reduction in Property Owners’ Income	Yes	The measure requires that rent control laws allow landlords a fair rate of return, putting the results of past court rulings into state law. It does not ensure, however, that revenues from price-controlled units will exceed their cost of maintenance.
Prevents Blighting and Takeover for Development	No	Proposition 10 does not implement provisions or outline plans to prevent blighting and takeover for development
Does not depress the actual market value of a unit	No	California homeowners could lose approximately 10%, about \$60,000, in home value from the passage of Proposition 6