

Protecting Single-Family Rental Housing

EBRHA continues to fight for Costa-Hawkins for the benefit of all single-family home owners.

BY EBRHA GOVERNMENT POLICY COMMITTEE



This article is part of a series in opposition to the movement to repeal the Costa-Hawkins law.

Costa-Hawkins is a state law that sets important, reasonable limits on local politicians and local rent control laws. It protects all single-family and condominium homeowners from local laws to limit their basic ownership rights, such as how much rent they can charge and how easily they can move back into their own homes after

renting them out for a time.

Opponents of Costa-Hawkins argue that California's situation today makes such protections of homeowners a problem for tenants, and that the reasons in Costa-Hawkins to protect homeowners no longer apply. They tell us that large corporations buying up single family homes justifies removing the common-sense protections of Costa-Hawkins

from ALL single-family home owners. According to these radical advocates, the current housing "crisis" justifies throwing out all State protections for ordinary homeowners. But how can a "crisis" last for 40 years? By definition, a crisis is something far out of the ordinary. California's housing shortage is the result of our failure to allow enough new housing each year to match supply with demand.

There were good reasons why Costa-Hawkins was passed in 1995 to exempt single-family houses and condominiums and those reasons remain valid today.

Reason #1: Maintain the Supply of Single-Family Rentals

In 1985, California enacted the Ellis Act (Government Code §7060 et seq.) to give a rental property owner the absolute right to avoid the strictures of rent control by taking the rental unit off the housing market. This power meant that any eviction for such purposes could not be limited by a municipality's eviction controls. Every business must have the absolute right to go out of business.

The Ellis Act most affected single-family homes and condominiums (dwellings "alienable separate from the title to any other dwelling unit"¹) because they have immediate alternative value as a home to owner-occupy. Multiple unit rental housing that is taken off the market cannot so easily be converted to a liquid sale commodity. It can, but condo-izing a building is a complex, expensive project undertaken by real estate development professionals.

By 1995, Ellis Act evictions were occurring largely among single-family homes and condominiums.² In order to protect single-family homes as rentals in California, the Costa-Hawkins law included exemptions for single-family homes and condominiums. This removed the huge incentive to take these single-family homes and condos off the rental

market. Costa-Hawkins PRESERVES rentals for California tenants! Removing this exemption brings back the loss of single-family rental units through Ellis Act removals.

"The rental stock of single-family houses should be preserved by protecting individual owners from the burden of rent controls."

Reason #2: Protect the Great American Nest-egg

If you own a home, you cannot afford to lose Costa-Hawkins. Whether you ever rent out your home or not, your home is a potential rental at some point when it may no longer suit you (empty-nesters, for example). It may also be the one asset you pass to your children that significantly improves their standard of living. Many people inherit a home from their parents, which they may need to rent out. Having to care for a relative out of town may also require renting out a home.

The Costa-Hawkins exemption from local rent control for single-family homes makes it possible for a family to remain in the rental property business. For these 'amateurs' who are not real property professionals, whose renting of their own home cannot really be called a 'business', the importance of freedom from rent laws is critical. An owner of a single-family rental home is no match for the maze created by a rent control bureaucracy. Even small rental property professionals find such byzantine regulations insurmountable and get eaten alive by tenant attorneys.

Without the option of renting protected by Costa-Hawkins, home values will be lowered. This directly affects older homeowners counting on retirement, cities facing reassessments and lower property taxes, and local businesses that rely in part on home equity funding the purchase of their products and services.

Reason #3: Institutional Ownership of Single-family Homes is Separate

The primary "story" fueling the attack on Costa-Hawkins' protection of single-family rental units is that large corporations now hold large numbers of single-family rentals exempt from Costa-Hawkins' protections meant for average homeowners. One source identifies Blackstone Invitation Homes as owning 14,389 single-family rental homes in California (which is just .114% of 12.5 million households in California).

Corporate or institutional ownership of single-family homes grew after the 2008 housing crash. When many thousands of houses became foreclosed with no buyers or liquidity, institutional inves-

tors saved California from the loss of tens of thousands of homes to abandonment and decay. Since these houses could no longer be sold to individual buyers in the depressed economy, the institutions wisely rented them to protect the homes and get through the recession. Now such institutional ownership may threaten a stable housing market by taking so many houses off the sale market.

If one believes this argument against Costa-Hawkins has any merit, it would be more logical to modify Costa-Hawkins to remove from exemption ONLY the holders of large numbers of single-family rentals. The vast majority of California homes and condominiums have nothing to do with this problem.

Unfortunately, this dialogue is lost in the effort to repeal ALL of Costa-Hawkins. The rental stock of single-family houses should be preserved by protecting Costa-Hawkins and the basic ownership rights of single-family owners.

In the past, single-family owners have stood by silently. Now they can no longer stay on the sidelines. THEIR lives, retirements, and ownership rights are under attack. It is time for single-family owners to join with rental owners to protect the limits on the expansion of 40 years of rent control laws that have failed to help most renters and have only made the housing shortage worse. EBRHA members should speak up and warn neighbors, friends and family that their single-family homes will be subject to rent control and eviction restrictions if the legislature removes the protections of Costa-Hawkins. RH

References

1. *Nash v. City of Santa Monica* (1984) 37 Cal.3d 97.
2. Certain exceptions apply to this exemption. See Cal. Civil Code §1954.52.

EBRHA's Government Policy Committee provides research and policy positions to advise policymakers on the issues that affect our industry and the communities we serve. To reach the Committee, email news@ebrha.com.

ONLINE TENANT SCREENING

EBRHA provides members with low-cost online resident screening. Partnered with Contemporary Information Corp. (CIC), resident screening has one objective: to make sure your leasing decisions make the greatest possible contribution to your bottom line. As of 2018, rental property owners can collect a maximum of \$49.12 for an application fee.

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