

California State Senate

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September 23, 2019

The Honorable Gavin Newsom
Governor, State of California
State Capitol, First Floor
Sacramento, CA 95814

RE: Recommended Veto of AB 1482 (Chiu)

Dear Governor Newsom:

I urge you to veto AB 1482 (Chiu), which provides that a landlord may only terminate a lease of residential property “for cause” and which enacts a statewide rent control that limits the amount that a landlord may raise the rent to no more than 5% per year plus cost of living.

This bill is deeply flawed and does almost nothing to address the shortage of housing in California. It also disrespectfully ignores the will of the voters, who just last year rejected a related measure, Proposition 10, by 19%.

Just last year, researchers at Stanford University published a study that looked at the effects of rent control on cities in the Bay Area. They found that rent control caused the rental housing supply to decrease by 15% and rental prices to increase by 5%. The study also found that buildings subject to rent control are 10% more likely to convert to a condominium or other arrangement to avoid rent control. (See *The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco*. Rebecca Diamond, Tim McQuade, & Franklin Qian. <https://www.nber.org/papers/w24181>) Adopting a rent control policy at this time then makes no sense, especially since it will very likely cause a decrease in the supply of available housing and further upward pressure on prices.

Rather than going after the natural effects of a housing shortage, a better and more effective approach would be to attack the real culprits of the crisis, i.e., high development fees for housing, abusive litigation brought under CEQA aimed at housing projects, and other regulatory mandates that drive up the cost and difficulty

of producing homes. Until these causes are addressed, the crisis will remain; but with this bill, it will likely continue to get worse.

For these reasons then, I strongly urge you to veto this measure.

Sincerely,

A handwritten signature in black ink, appearing to read "Shannon Grove". The signature is written in a cursive style with a large initial "S".

Shannon Grove
Senate Republican Leader