

HOMELESSNESS-HOUSING TASK FORCE MEETING
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PUBLIC COMMENTS

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Summary Research Memorandum

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Public Comment

Subject: Rent Control (Stabilization) in Hayward

Historical Context

1. *Segregation and Exclusion in Hayward*

Like many other cities in the US, the City of Hayward has a dark history of racial segregation and exclusion. This history has much to do with in the current lack of equitable access to safe, decent, affordable housing in Hayward. Hayward, perhaps, more than other cities has a tangled history of annexations mixed with poor planning, haphazard development with low building standards, and racial steering, which was implemented privately and publicly to push Hispanic/Latino and Black residents into areas of the cities most effected by the poor planning and substandard building practices.¹ Many of those neighborhoods and their issues then are the same neighborhoods and the same issues now. This history is important to acknowledge because disparities do not happen overnight. Disparities arise out of consistent institutional choices that value one set of voices over another. Hayward has consistently valued landlords and their voices at the expense of countless families who have been priced out of their homes. The experiences of the low-income tenant, the single-parent renter households, the over-crowded, dilapidated apartment complexes that line Jackson, Harder, Tyrell, and Tennyson have been ignored for decades. This moment calls for acknowledging Hayward's history. This moment calls for corrective reparative action. This moment calls for elevating the voices of these families and individuals who have been least served by Hayward's housing laws and policies because we recognize that investing in their success and in their stability will most benefit the city as a whole.

2. *Origins of Rent Control in Hayward*

The rent control discussion first came to Hayward during the late 1970s. Out of control inflation was driving home prices through the roof. As a result, property tax assessments were increasing year over year at astronomical rates. This caused a lot of pain for lower-middle class and poor Californians, especially those on fixed incomes. Thus, a tax reform movement

¹ Sources retrieved through extensive research at the Hayward Area Historical Society (HAHS) with the help of resident historian John Christian: Robert B. Richard, "Government in Unincorporated Sectors of the Greater Hayward Area, Graduate Division Thesis (1943); "Minority Housing in the Hayward Area," City of Hayward, Human Relations Commission (March 1967); "City of Hayward Neighborhood Analysis," Community Improvement Section of the City Manager's Office, City of Hayward (August 1968); "Housing," Community Revitalization Program, City Manager's Office, City of Hayward, vol. 10 (June 1971); "Program for Community Improvement," Community Revitalization Program, City Manager's Office, City of Hayward, vol. 11 (June 1971); "Social Needs Assessment Survey," City of Hayward (May 1977); Darin Moriki, "Hayward exhibit takes look at black history in Fairview," East Bay Times, published January 13, 2017, <https://www.eastbaytimes.com/2017/01/13/hayward-exhibit-takes-look-at-black-history-in-fairview/>; Paul Bugarino and staff writers, "Kelly Hill a haven for blacks in 60s," East Bay Times, published January 22, 2008, updated August 17, 2016, <https://www.eastbaytimes.com/2008/01/22/kelly-hill-a-haven-for-blacks-in-60s/>. See also Hayward City Council Minutes for April 24, 1979, where Tiki Gardens Apartments and Venetian Terrace Apartments were the subject of numerous complaints for health and safety.

culminated in the passing of Proposition 13 in 1978, which capped increases on property tax assessments annually.

While Prop 13 eased the affordability issue for homeowners, it provided little protection for renters. Renters were encouraged to support Prop 13 on the promise that landlords would share their savings in property taxes by lowering rents, providing rebates, and making needed repairs. None of this happened. Many landlords instead kept the savings, and some even continued to raise rents.

In Hayward, and in many other cities, this sparked outrage and a call for rent relief.² A rash of localities moved to pass ordinances or ballot measures that not only capped rent increases but also redistributed the Prop 13 tax savings. Hayward's own 1979 ballot measure, Measure One, aimed to put rents back at pre-Prop 13 levels and redistribute 80% of the Prop 13 tax savings from landlords to renters in the form of rent reductions. It would have put tenants on "equal footing with landlords" to get the benefits of Prop 13 tax reform.³ The measure also would have established a notice and reporting system for rent increases. Landlords outspent the tenants by more than 10 to 1, and the measure narrowly failed 49.1% in favor to 50.9% opposed, or by only 190 votes.⁴

Given the razor-thin margin on the election outcome, then-Mayor Ilene Weinreb decided to bring the issue to city council through an ordinance.⁵ That jumpstarted the long two-year process of negotiation and policymaking that produced the 1979-80 Hayward Residential Rent Stabilization Ordinance (RRSO).⁶ Tenants never did receive their due rent relief from the Prop 13 savings. But the RRSO did impose a rent cap, it did provide for a just cause before being evicted, and it did protect tenants from retaliation. All of those slowly eroded with the vacancy decontrol provision, where over the years thousands of units from removed from coverage of such protections and caps. Now only 1000-1600 of the original 14,900 units remain covered.

This Hayward history is important to digest because history often repeats itself. In the late 1970s, California responded to the inflation crisis by constraining property tax assessments. Property values still boomed and homeowners saved a lot of money. However, they failed to pass those savings along to renters. Today, the economic boom generated from the tech sectors and the abnormally long post-recession recovery have led to incredibly inflated home values across California, but especially in coastal areas like the Bay Area. Homeowners who bought their homes just ten years ago have received hundreds of thousands of dollars in value. That value has been captured by property owners (new and old) benefiting from Prop 13 tax

² Rich Riggs. "Rent control...yes or no? Hayward voters to decide July 17 on regulation of city's rents." *The Daily Review*. July 9, 1979. (Includes sections by proponents and opponents.)

³ Rich Riggs. "Rent control...yes or no? Hayward voters to decide July 17 on regulation of city's rents." *The Daily Review*. July 9, 1979. (Includes sections by proponents and opponents.)

⁴ Rich Riggs. "Rent control defeated by narrow margin." *The Daily Review*. July 18, 1979.

⁵ Rich Riggs. "Rent control defeated by narrow margin." *The Daily Review*. July 18, 1979.

⁶ See Archived Hayward City Council Minutes from following dates: April 24, 1979 (discussing rent relief ordinance and approving special election for Measure One); June 5, 1979 (allocating funds for special election); July 24, 1979 (certifying results of special election for Measure One); August 21, 1979 (initiating city process for developing comprehensive RRSO negotiations); November 6, 1979 (discussing finalizing of negotiations between tenant advocates and landlord advocates); and February 11, 1980 (discussing final RRSO and Council approval of language). <http://citydocuments.hayward-ca.gov/WebLink/?dbid=0&repo=COHDATA>.

assessments limits. Just as landlords failed to pass savings to tenants in 1979, landlords today have failed to pass any portion of the benefits of economic growth and recovery to tenants.

For these reasons, we cannot let history repeat itself. Hayward needs a rent stabilization policy that will stop the displacement of families today, while maintaining the flexibility to distinguish between good landlords and bad landlords and also repairing the damage we have permitted by the latter.

Rent Control is Good for Hayward

Rent stabilization policies often get swept into an imbalanced conversation about how best to mitigate its potential negative effects. Rarely is the policy debate framed in terms of how to maximize the many benefits that rent stabilization policies can bring to a community. This section addresses some myths and elevates the benefits of the rent control for Hayward.⁷ There are many benefits. We should embrace the benefits and spend more of our collective time developing ideas for harnessing these benefits.

1. Good for Local Economy

Rent control is good for the economy and good for business. Rent control will put money back in the local economy. If local governments are able to limit excessive rent increases, tenants will have more money to spend. Most people spend almost all their money in the local economy. This will boost local businesses, increase local sales taxes, and increase jobs for businesses that prosper as a result of the additional consumer demand.

Also, California employers cannot thrive if people can't find a place to live close to work. In Hayward, people mostly commute elsewhere to work. Rent control as a tool to maintain affordable rental rates should be employed alongside (not in competition with) larger goals for economic development and job growth within the city boundaries.

2. Encourages New Construction

Most studies of rent control laws around the country have found that rent control does not inhibit new construction. In fact, rent control encourages new construction by channeling higher income workers into the market for newly-built apartments rather allowing them to displace sitting tenants from existing housing.

The rate of new housing construction depends primarily on local zoning laws, parking costs, construction costs, environmental laws and regulations, and NIMBYism, among others causes.⁸ Notably, the most recent holistic affordable housing cost studies make no mention of

⁷ Thanks to Dr. Peter Dreier, Ph.D. for providing his research, lending his expertise, and sharing his efforts to articulate these myths and benefits in his testimony in support of the repeal of the Costa-Hawkins Act on June 21, 2018 in the California State Senate hearing on repeal of Costa-Hawkins. Dr. Peter Dreier is the Dr. E.P. Clapp Distinguished Professor of Politics, and the Chair of the Urban and Environmental Policy Department, at Occidental College. The following sections are directly borrowed from Dr. Dreier's testimony and in some ways adapted or updated.

⁸ "Affordable Housing Cost Study: Analysis of the Factors that influence the Cost of Building Multi-Family Affordable Housing in California." Joint study by the California HCD, the California TCAC, the CalHFA, and the CDLAC. October 2014.; Mac Taylor, California's High Housing Costs: Causes and Consequences. California Legislative Analyst's Office. March 17, 2015.

rent control as a barrier to new construction.⁹ Despite this, the landlord lobby continues to perpetuate the myth that rent control discourages new construction.

To divert attention away from the need for rent control, the landlord lobby often says that the solution to our housing crisis is not to adopt rent regulations but to build more housing. That is partly true. The California Department of Housing and Community Development (HCD) projects that the state will need to add 1.8 million new housing units to meet projected population and household growth. That's 180,000 new homes annually—compared to the annual average of less than 80,000 new homes annually over the last 10 years. But even that figure is misleading, because it does not include the need to address the housing concerns of those who cannot afford market rents.

Even if we marshal the political will to do so, however, constructing the new housing we need will take decades – and only if local governments end the practice of restrictive exclusionary zoning that limits new housing construction.

But we can't wait until increased supply "catches up" and "trickles down." Excessive rent increases are creating extreme hardship now. Only rent control can provide some immediate relief. If cities want, they can decide to lift or revise local rent control laws once the vacancy rate of affordable housing—rental housing that middle class and poor families can afford without paying more than 30 percent of their income—reaches eight percent or above.

3. *Budgetary Cost Savings*

Rent control will save Hayward (and the broader regional community) a great deal of money that it now spends addressing the growing problem of displacement and homelessness. It is well-known that it is less costly to prevent a problem than to address it after it has become a serious crisis.

Everyone agrees the rising and unaffordable rents are a major cause of California's homelessness crisis. State, county, and municipal governments spend a significant amount of funding on law enforcement, emergency shelters, and other efforts to deal with homelessness. A study from 2016 found that Los Angeles County spent close to \$1 billion a year caring for and managing homeless people, including health needs, social services, and law enforcement.¹⁰

Rent control will reduce the need for health, mental health and other human services and for temporary and long-term housing assistance, all of which are very expensive to provide, and will result in a net fiscal benefit to the city of Hayward.

4. *Reduces Human Costs in the Healthcare, Education, and Criminal Legal Systems*

Rising rents have caused widespread eviction, displacement, and disruption of families' lives. Rising rents also cause families to live in overcrowded apartments and even in garages. They wind up living in substandard and dangerous conditions. And for the privilege of doing so, they pay 50, 60, and even 75 percent of their incomes in rent.

Housing insecurity, the constant threat of eviction, displacement and constantly having to move involuntarily imposes enormous stress on renters, including depression, heart problems,

⁹ "Affordable Housing Cost Study: Analysis of the Factors that influence the Cost of Building Multi-Family Affordable Housing in California." Joint study by the California HCD, the California TCAC, the CalHFA, and the CDLAC. October 2014.; Mac Taylor, California's High Housing Costs: Causes and Consequences. California Legislative Analyst's Office. March 17, 2015.

¹⁰ Gale Holland, "Los Angeles County spends \$1 billion managing homelessness, report finds," *Los Angeles Times*, February 5, 2016. <http://www.latimes.com/local/lanow/la-me-county-homelessness-spending-20160205-story.html>.

and other health issues—similar to post-traumatic stress disorder (PTSD). Like people who suffer post-traumatic stress disorder (PTSD), these problems often do not disappear but persist over many years, often over a lifetime. Children who move frequently don't do as well in school. This is especially true among low-income children. Seniors who are faced with eviction suffer enormous stress, which can lead to depression, heart attacks and other problems. Housing insecurity hurts workers' performance on the job.

In his award-winning book *Eviction*, Matthew Desmond found that housing insecurity for tenants creates enormous stress that has serious harmful physical and mental health effects. Similarly, Gary Evans and Michelle Schamberg found that among low-income families, stress—including involuntarily displacement due to eviction—has harmful effects on the mental functioning of children that continue on into adulthood.¹¹

Of course, the most serious consequence of rising rents and displacement is homelessness, which is particularly traumatic for adults and children alike. California is home to 12 percent of the nation's population, but a disproportionate 22 percent of the nation's homeless population.¹²

People who become homeless often never recover from the trauma—their physical and mental health deteriorates when they lose the stability of a secure home and the social ties that accompany housing security. Our society winds up paying for these human costs in our health care system, our mental health system, our schools, and our criminal legal system. Rent control has a lot of benefits. No doubt, rent control has its potential downsides to, all of which a responsible policy will work to mitigate. But clearly, we cannot continue to ignore the costs of doing nothing.

Conclusion

Hayward's history has demonstrated that we won't solve this problem without taking strong and decisive action. The myths about rent control just do not hold up. The benefits of rent control are vast and numerous. This moment calls for acknowledging Hayward's history. This moment calls for corrective action. This moment calls for elevating the voices of these families and individuals who have been least served by Hayward's housing laws and policies because we recognize that investing in their success and in their stability will most benefit the city as a whole.

¹¹ Matthew Desmond, *Evicted*, New York: Crown Publishers, 2016; Matthew Desmond and Rachel Kimbro, "Eviction's Fallout: Housing, Hardship and Health," *Social Forces*, 94 (2015): 295-324. http://scholar.harvard.edu/files/mdesmond/files/desmondkimbro.evictions.fallout.sf2015_2.pdf; Gary W. Evans and Michelle A. Schamberg, "Childhood poverty, chronic stress, and adult working memory," *Proceedings of the National Academy of Sciences*, April 21, 2009. 106 (16) 6545–6549; <https://doi.org/10.1073/pnas.0811910106>.

¹² *California's Housing Future: Challenges and Opportunities – Final Statewide Housing Assessment 2025*, California Department of Housing and Community Development, February 2018. http://www.hcd.ca.gov/policy-research/plans-reports/docs/SHA_Final_Combined.pdf.