



Quality Housing • Ethics • Professionalism



April 15, 2014

The Honorable Tom Ammiano
California State Assembly
State Capitol, Room 3146
Sacramento, CA 95814

RE: Assembly Bill 2405 - Ellis Act: OPPOSE

Dear Assemblyman Ammiano:

On behalf of the members of the California Apartment Association (CAA), I am writing to inform you that CAA has taken an oppose position on Assembly Bill 2405, your legislation that would allow local governments to prohibit the use of the Ellis Act and to convert all Ellis Act filings from the unlawful detainer process to the civil court process.

Passed by the State Legislature in 1985, California's Ellis Act provides that no local government can require a rental property owner to continue to offer his or her housing for rent. Over the years, rental property owners have relied on the Ellis Act in order to move into their own rental units or to sell or convert their units to another use. Owners who sell or convert do so in order to escape onerous local laws that force them to stay in the rental housing business despite the fact that they lose money each month.

The state law already gives to localities the clear authority to impose a variety of requirements on owners who desire to exit the rental market, including relocation assistance to displaced tenants, specific notice periods, and deed restrictions.

AB 2405 is unnecessary and harmful to rental property owners for the following reasons:

▪ **Forces Property Owners to Stay in Business**

If AB 2405 becomes law, rental property owners must stay in the rental property business, even if they are losing money every month. There is no other industry in the United States where a local government can force a small business owner to stay in business against his or her will, even when losing money. The Ellis Act is used by small property owners, with duplexes or Victorians, who no longer want to, or can afford to, stay in business.

▪ **Strong Local Tenant Protections Currently in Place**

Current law expressly allows local governments to impose a variety of requirements on owners who desire to exit the rental market, including relocation assistance to displaced tenants, specific notice periods, and deed restrictions. For example, San Francisco recently passed a new ordinance that requires owners to pay the difference between the tenant's current rent and what they would have to pay for a similar apartment for two years. *The city estimates this will cost between \$40,000-\$50,000 PER UNIT.* An owner must also provide tenants with a minimum of 120 days' notice to a maximum of one-year notice if the tenant is senior or disabled.

▪ **Prevents Families from Moving Into Their Own Homes**

One of the primary reasons that owners use the Ellis Act is to move into their own units. AB 2405 would prevent families who own small rental buildings from creating a home that meets their needs. It not only prevents owners from moving in themselves, but it also would prevent a family from combining two or three small units into a larger one to provide a home for a growing family.

▪ **Civil Court Process Takes Years**

AB 2405 moves all Ellis Act proceedings from the current unlawful detainer process to the Civil Court process. This means that a property owner will be tied up in court for many years unable to do anything with their property while the tenants live rent free. State law created the unlawful detainer process as priority process in order to avoid this very hardship on property owners.

▪ **Reduces the Value of Rental Property**

By limiting the ability of owners and buyers to sell or convert their properties, AB 2405 significantly reduces the value and marketability of a property. Potential buyers who seek to purchase a 2 or 3 unit Victorian and combine units for a home will not buy a property they can't move into or convert. As a result, an existing owner must continue to lose money each month with reduced options to sell. The bill would create significant disincentives to ownership and investment in smaller rental properties.

While CAA does not promote the elimination of rental housing, owners must be given equitable opportunities and solutions to exit the rental market, particularly in jurisdictions where local laws have become overly burdensome to the point that they make it difficult for owners to operate effectively.

The number of units lost through the Ellis Act is extremely small. In San Francisco, the total is less than .08 percent of the total rental housing units. We stand ready to work with advocates to find ways to encourage more rental housing opportunities instead of misguided approaches that do nothing to create more housing.

The California Apartment Association is the largest rental housing trade organization in the country, representing more than 50,000 owners and operators who are responsible for more than 2 million rental units.

Sincerely,

CALIFORNIA APARTMENT ASSOCIATION



By
Shant Apekian
Vice President Public Affairs

cc: Assembly Local Government Committee
Assembly Republican Caucus