

RENT CONTROL IN PERSPECTIVE:

Impacts on Citizens and Housing in Berkeley and Santa Monica Twelve Years Later

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VOLUME I – THE REPORT

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EXECUTIVE SUMMARY

This report describes a research project which used 1980 and 1990 Census data to examine the socioeconomic impacts of the rent control programs in effect in Berkeley and Santa Monica, California throughout the 1980s. The 1980-1990 Census decade coincides with the first decade of these two fundamentally similar programs, allowing meaningful analysis of the impacts of these cities' rent control programs on rental housing and on economically disadvantaged population subgroups.

Academic models which shed light on the potential effects of rent control programs are described in the report, and predictions are derived. In addition, a "progressive hypothesis" is articulated, describing the theories by which rent control has been justified to the electorate in Berkeley and Santa Monica. Relevant demographic and socioeconomic variables were examined for each subject city, for the surrounding counties, the surrounding SMSAs, for the State, and for ten comparably-sized northern California cities and ten comparably-sized cities in Southern California.

The study finds that these programs were associated with a reduction in the stock of rental housing of 14% in Berkeley and 8% in Santa Monica. In contrast, no comparison city lost rental housing. There were also, in Berkeley and Santa Monica, significant reductions in the numbers of persons and households in the subgroups targeted for assistance by their "progressive" housing policies: low income households, college students, elderly persons, families with children, and disabled persons. In contrast, the numbers and percentages of these groups grew during the 1980s in most of the comparison cities.

It is concluded that restrictive rent control programs create tight and shrinking rental housing markets in which the economically advantaged succeed more consistently than the economically disadvantaged in securing controlled housing and the subsidy that accompanies it. The evidence suggests that a public choice model characterizing rent control (along with growth control, down-zoning, "neighborhood preservation", and eviction control) as an exclusionary program promoting accelerated "gentrification" of host communities may be correct.

The report concludes that the "progressive hypothesis" - the theory holding that rent control will be effective in assisting the poor and in preserving socioeconomic diversity within a rent controlled community - is not correct. As it turns out, restrictive rent control programs like those in Berkeley and Santa Monica seem to have effects which are diametrically opposite to those predicted by the progressive hypothesis. Rent controls seem to reduce population diversity and exclude economically disadvantaged households from rent controlled communities.

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