



## California rent control law may exacerbate housing crisis, experts warn

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Will new rent cap fix California's homelessness crisis?

Rep. Tom McClintock (R-CA) discusses the economic problems associated with California Gov. Gavin Newsom's new law to cap rent increases.

In a bid to combat a growing housing crisis, California's Democratic Gov. Gavin Newsom signed a statewide rent control provision into law this week, which some experts warn could exacerbate the problem.

Proponents hope the measure will prevent lower-income Americans from being priced out of their homes, while keeping rents affordable overall.

However, critics say it will discourage investment and building, thereby compounding an existing inventory crunch.

"It's definitely going to make things worse," Michael Tanner, the Cato Institute's director of health policy studies, told FOX Business. "[Rent control] clearly discourages the construction of housing."

The state's housing problem has been caused at least in part by a slowdown in construction: During the first half of 2019, there was a "substantial decline" in the number of new housing units authorized by building permits, according to the Public Policy Institute of California.

According to state officials, production has averaged less than 80,000 new homes per year over the past decade – and production continues to trend "far below" projected needs – of 180,000 additional homes each year.

California Republican Rep. Tom McClintock told FOX Business on Wednesday that the state has been 3.5 million units short of meeting demand over the past 15 years.

"Before you can stick a shovel in the ground, you're charged \$150,000 [worth] of fees," McClintock said during an interview with FOX Business' David Asman.

Critics argue that rent control measures do not address the underlying factors that have caused the housing problems in the first place.

National Association of Home Builders (NAHB) CEO Jerry Howard previously told FOX Business the policy was like a "short-term Band-Aid" that makes the "long-term problem even worse."

The bright spot? Tanner noted that the rent controls are relatively weak, so the impact will be modest.

Instead of implementing rent control, the government should focus on making it easier to build affordable housing – dealing with zoning and the secondary review approval process, Tanner said.

Newsom signed the law on Tuesday. It limits year over year increases to 5 percent, plus inflation, through 2029.

The law is set to go into effect on Jan. 1, but will retroactively apply to rent increases on or after March 15 in order to prevent landlords from preemptively hiking prices.

Homelessness in Los Angeles increased 12 percent in the year that ended in June. California has more people living on the street than any other state.

California is not the only area facing an affordable housing crisis turning to rent control as a solution. New York City lawmakers approved new rent control protections earlier this year.

Meanwhile, Oregon passed the first statewide rent control measure in February – limiting increases to 7 percent annually, plus inflation.