

# BALLOT MEASURE B —A HOUSEHOLD WORD?

## Rent stabilization on November ballot

### Landlords hire political pros

*In the second of our series on the housing crisis in Santa Cruz and local politics City on a Hill looks at Ballot Measure B, the rent stabilization initiative.*

by Randlett Lawrence

"A lot of tenants look upon themselves as captives of the landlords, but that is not correct. They are captives only if they want to stay in Santa Cruz at a time when housing is short. They can always move."—Michael Ponza, spokesperson for Advocates for a Balanced Community, in opposition to rent control.

Proponents of ballot Measure B have so far declined to respond to such statements. They have chosen instead to limit their literature to decrying the severity of the housing crisis and extolling what they consider to be the merits of rent stabilization.

Still, the proven power of the real estate interests (i.e. the recall) has not gone unnoticed. In hopes of undercutting owner opposition to rent stabilization, the authors of Measure B included several clauses designed to assure landlords a fair rate of return on their investment.

But the landlords were not appeased. They oppose the rent stabilization initiative and have hired a San Francisco based "political consulting firm" to fight it for them. Solem and Associates is the name of the firm. It specializes in rent control.

The Santa Cruz Coalition Against Rent Control operates under the direction of Bernie Walp, a Solem and Associates employee. To date, the "coalition" has raised more money (\$11,000+) than Measure B's backers plan to spend in the entire campaign. If Solem and Associates stay true to form, far more money will be spent in the ensuing weeks than in any Santa Cruz City referendum in history.

According to Walp, Solem and Associates spent over \$210,000 last year to defeat rent control initiatives in Berkeley and Madison, Wisc. By his own reckoning, Walp personally oversaw the spending of \$130,000 in Berkeley, a "substantial amount" of which came from out of state sources. The initiatives in both cities were defeated.

### Measure B

Ballot Measure B is a proposed charter amendment that will, if passed, establish a five person Rent Stabilization Board which will have the responsibility and authority to register rental units and make rent adjustments. After its passage the city council is empowered to compose the board by appointing two landlords, two tenants and one person who fits neither category. The appointees will make decisions only until the next general election when the five members of the the board will be elected by the public—in that way the board will be directly accountable to the people.

In individual rent adjustments the board will consider such factors as operating costs, capital improvements, and landlord investment returns. Determination of fair rent will also include consideration of the landlords loan payments, equity, cash income, and appreciation or depreciation of the property.

General annual adjustments will take into account cost increases such as taxes, cost of living, general operating

expenses and other factors affecting all rental units. The power to make such across the board modifications is an innovative clause designed to reduce repetitious individual adjustments.

Almost all rental housing in the city will be covered by the new law. The important exceptions are: 1) Newly constructed housing; 2) Buildings of three units or less if the owner lives in one of them; 3) Tourist housing, motels and hotels and 4) Church or government owned units.

In order to relieve tenants of any hardship caused by the raising of rents in anticipation of Measure B's passage, the initial rent adjustment will be made on the basis of rents in effect of April 15 of this year.

### The debate

Advocates of rent stabilization say that it will stop rent price abuses by basing the level of rents on the concept of a fair rate of return rather than on whatever the market will bear. The market, as was explained in the first article of this series, is in a state of crisis with rents rising at record rates and the vacancy rate at an infinitesimal 1.2 percent.

Critics of rent stabilization scoff at the idea of a fair rate of return. When asked what arguments his group would use against rent stabilization, Bernie Walp replied that rent control has proven to be ineffective. "Look at New York. The Bronx is like Dresden" (the ancient German city destroyed by U.S. bombers in W.W. II). "Its run-down condition," he continued, "is solely because of rent control."

Prepared in advance for such an argument, the Santa Cruz Housing Action Committee (SCHAC) distributed a flyer which replies on two counts. First, to compare New York and Santa Cruz is absurd and second, even if it weren't, New York's urban blight ranks sixth in the nation behind five cities which have no form of rent control.

### Scare tactics

"It is a scare tactic of the worst sort to equate Santa Cruz with New York City. Santa Cruz's rent stabilization initiative bears little resemblance to the hodge podge of rules and regulations and rent freezes that have characterized New York City's rent control laws over the past three decades," reads a SCHAC brochure.

Measure B is different from older east coast laws in that it exempts new housing, includes no mention of a rent freeze and may be declared inoperative when the vacancy rate goes over 5 percent, the government established adequate minimum.

Landlord groups and real estate organizations claim that rent control restricts landlord cash so that buildings will not be adequately maintained or repaired. According to figures from the California Department of Housing and Community Development there is no correlation between rent controlled cities and a higher incidence of building neglect. SCHAC volunteers add that maintenance is one of the factors to be considered by the board when establishing rents, thereby providing landlords with an extra incentive to keep up their units.

Traditionally one of the most powerful weapons in the anti-rent control was organized labor's fear that rent control would discourage new construction and therefore threaten jobs. While Measure B explicitly exempts new housing from the jurisdiction of the Rent Stabilization Board, the Coalition Against Rent Control claims that the mere threat of rent control and its extension is enough to discourage new building. Taking exception to this position is the California AFL-CIO. The huge federation of unions has officially endorsed modern rent controls which exempt new construction.

Next week, the anti-speculation initiative, Measure A.

