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No Evidence That Rental Caps Enacted Under California's Tenant Protection Act Are Being Violated, Finds New UC Riverside Analysis

Analysis Responds To A Recent Report Alleging Widespread Breaches

October 18, 2022—RIVERSIDE, CA (www.ucr.edu)—A recently published report that alleges there may be widespread violations of a California law capping rent increases on tenants critically fails to support its allegations and, in light of available public data, the allegations themselves are unlikely to be true, according to a response released today by the **UCR School of Business Center for Economic Forecasting and Development**. The response also finds that the recent rise in rents across the state (and beyond) is being driven primarily by increases in tenant incomes and is not the broad crisis that the report attempts to paint.

The law, the California Tenant Protection Act of 2019 (Assembly Bill 1482), places a 5% plus consumer price index (CPI) inflation cap on rent increases for existing tenants in the state, or a 10% cap, whichever is smaller. The report, released by the UC Berkeley Terner Center for Housing Innovation in collaboration with TechEquity Collaborative, claims there may be pervasive violations of this cap, but its analysis only examines *asking* rents for *vacant* units, something the law does not apply to.

According to the UCR response, a high-level look at data from the U.S. Census's American Community Survey suggests a contradictory conclusion: that increases in rent being paid by California tenants appear to largely adhere to AB 1482's limits. The data, on median rent paid by tenants in California's 11 largest counties in 2019 and 2021, show that San Bernardino County experienced the fastest annual growth at 6.4% while Santa Clara and Alameda Counties came in at just 1.6% and 1.4% growth, respectively. AB 1482 limited rent growth to approximately 6% from 2019 to 2020 and 10% from 2020 to 2021. If rents moved at the maximum allowed pace, the average growth rate per year for existing renters over this two-year period would be 8%.

"Housing affordability is clearly one of California's most urgent and long-term challenges, but reports like this one, which allege actual legal malfeasance using entirely inapplicable data, represent a step backwards in discussing this critical and complex issue," said **Christopher Thornberg**, Director of the Center for Economic Forecasting and the author of the response. "Sadly, the report, seems designed more for stoking political outrage than for helping to guide California towards better solutions."

In addition to poorly supported allegations about AB 1482, an underlying implication of the Terner Center's report is that any rental price increase necessarily reduces the wellbeing of tenants, something that simply isn't true, according to Thornberg. "You have to understand what drives a rent increase before you can determine if it is harmful to the overall welfare of renters," he said.

In responding, the analysis conducted by the Center for Economic Forecasting presents evidence from the American Community Survey that suggests recent rental price increases in California have been mainly driven by growth in tenant incomes, and as such, rent-to-income ratios have remained remarkably steady. Median rent paid in California rose from $1,375 to $1,750 between 2016 and 2021, roughly a 5% increase per year. Yet the data on rent-to-income ratios show little change over this time. In the aggregate, the average rent-to-income ratio for the state was 23.9% in 2016 and 24.1% in 2021, statistically speaking, unchanged.

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