

Governor Signs Legislation Capping Rents at 5% Plus Inflation

California lawmakers passed a historic statewide rent control bill meant to address a worsening housing crisis in the state where millions of people are paying more than half their monthly income to landlords.

Now, the governor's signature has made California the third state in the country to pass statewide rent caps after Oregon and New York. The bill is meant to address rising costs in cities like Los Angeles and San Francisco, where rent rose steadily from 2010 to 2014 and peaked at 6% annual growth in 2015. The Bill will cap annual rent increases at 5% plus the rate of inflation - currently about 3% for a total rent increase of 8% - for much of the state's multifamily housing stock, and is estimated to affect 2.4 million apartments/landlords.

The Bill's rent cap will affect properties that are 15 years of age or older on a rolling time period, containing two units or more, and are not already subject to local rent control ordinances. The legislation, however, will not interfere with local rent control laws, which remain under the purview of the Costa-Hawkins Rental Housing Act. In Addition, single-family homes, townhouses and condos, except when owned by corporations or REITs, duplexes when one unit is occupied by the owner- are also exempt. The legislation will take effect in January 2020 and sunset in 2030.

With regards to Los Angeles multifamily, this bill directly affects properties built between 1979-2004, and it will affect all properties built in 2004 or earlier in cities that currently do not have any rent control. Properties built in 1978 and before will continue to operate under current Los Angeles rent control laws. Properties built in 2005 and after will not be affected and will continue to be free of any rent control. However, in 2021, properties built in 2005 will fall under the new AB-1482 rent control laws due to the rolling 15 year exempt period.

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