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**STRICT RENT CONTROL IN SMALL CALIFORNIA
CITIES: AN ANALYSIS OF 1990 CENSUS DATA**

By

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STRICT RENT CONTROL IN SMALL CALIFORNIA CITIES:
AN ANALYSIS OF 1990 CENSUS DATA

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INTRODUCTION

Rent control is a contentious policy that evokes strong responses from advocates and opponents among tenants and property owners alike. How the existence of rental regulation affects the operations, efficiency, and outcomes of housing markets over time is a hotly contested issue.¹ Advocates assert that housing markets are imperfect, creating excess profits for owners and inferior bargaining positions for tenants. Such profits, which are technically economic rents, can be eliminated through regulation, thereby reducing housing burdens on low and moderate income households. Furthermore, they argue that regulation can equalize tenant and owner bargaining positions through such means as eviction control and security of tenure. Opponents claim that housing markets are much like any others. Competition drives out any profit above that needed by owners to remain in business over the long term. Thus, regulation that restricts rents will have adverse effects, notably, creating a permanent undersupply and causing owners to reduce the quality of housing to match rent levels by deferral of maintenance, reduced reinvestment, and failure to build new rental housing stock.

Unfortunately, as with most public policies, analysts have no opportunity to test these regulatory impacts in a controlled laboratory situation. Thus, advocates on both sides tend to rely upon theory or ideology to provide the basis for assertions about rent control's effects. Needless to say, such arguments are rarely effective in changing the minds of those who are not already convinced of their value. In order to generate information that is more credible, rent control analysts need to seek out situations in which it is possible to simulate the conditions of a controlled experiment. Such situations are rare, and the econometric methods available are less than perfect.

The problem of evaluation is exacerbated by the fact that rent control is a very complex phenomenon, which, like all regulation, may take on a variety of forms and levels of

¹The literature on rent control is vast and continues to grow. For a useful bibliography, see Malpezzi (1993). Excellent overviews of economists' perspectives on rent control are in Olsen (1990) and Downs (1988). For an analysis from a position supportive of rent control, see Gilderbloom and Applebaum (1988).

regulatory rigor. Theoretical discussions of rent control have generally assumed that regulations simply fix rent levels. That is not so. Even the earliest controls were forced to recognize the array of problems that regulating residential rents produces. Effective price control always implies regulation of supply, and in the case of rental housing this means dealing with security of tenure and addressing the problem of maintaining housing quality. Without the former, owners may circumvent rent control by evicting tenants and asking for side payments from new tenants. Without the latter, owners may raise the real price of housing above the controlled price by allowing the quality of the service delivered by the housing unit to fall.

Early regulations, such as those enacted during World War II and still persisting in modified form in New York City, conformed to the traditional image of fixed rents, tenant protections, and mandates to maintain quality. However, rent control in the U.S. is legislated primarily by ordinances at the local level, within broad constitutional limits. Since the adoption of rent stabilization, the first of the so-called "second generation" rent control systems, by New York City in 1969, a wide range of rent control ordinances have been enacted, providing for regulation of rents in ways that are very different from the older forms of rent control that permitted very little flexibility or response to changing market conditions. As a result, debates about the effects of rent control may be confused by lack of attention to the specific form and level of rigor of the regulation itself. This "localness" of rental regulation also creates difficulties in that reliable data on housing market conditions are not routinely collected and are expensive to collect for the specific purpose of testing the effect of regulation. In consequence, rent control studies have generally been conducted by larger city or state governments, and small city impacts tend to be neglected.

This paper takes advantage of the opportunity presented by the 1990 U.S. Census to explore the impact of rent control on housing in smaller communities that have had a relatively strict form of rental regulation over most of the life span of their ordinances. Berkeley was one among the many cities in California that adopted rent control following

the passage of Proposition 13 in 1978, although several efforts to control rents preceded that date. True to its radical tradition, the city chose a stringent form of control that closely regulated the level of rents, permissible increases, and security of tenure for sitting tenants. In what has become recognized as a key marker of strict rent control, Berkeley further regulated the rents of apartments that fell vacant (vacancy control), so that owners could not benefit from vacancies to increase rental revenues. Santa Monica has had a very similar experience, adopting rent control in 1979. Although both cities have made some modifications to their ordinances during the decade from 1980 to 1990, their regulatory structures remained essentially unchanged. Since 1990, the shift in composition of the elected Rent Board in Berkeley has resulted in substantial changes in policy on rent adjustments and sharp rent increases.

Because rental regulation was adopted very shortly before the 1980 census and was not greatly modified for the next ten years, the data from the 1990 Census provide a convenient comparison over the period of a decade, with the added advantage of relatively reliable and disaggregated data. Furthermore, because neighboring or similar cities either did not adopt rent control or did so with much less stringent forms of regulation, it is possible to draw comparisons among cities or smaller geographic units across the time period². Two types of such comparisons are the focus of this paper. First, it examines housing market indicators for a sample of cities across the state that are similar in important respects, but vary in the degree of rental regulation that they have chosen. Secondly, it uses census tract data to examine the variation in conditions over the decade in small areas on either side of the border of Berkeley. This analysis provides a useful extension to the citywide comparisons. We cannot avoid the problem of lack of experimental rigor discussed above, and the data do not permit sophisticated analysis.

² Comparative analyses of rent control across cities are relatively rare, not least because of the difficulties of establishing comparability. An effort by Tucker (1990) to establish a link between rental regulation and homelessness by this means was heavily criticized. A comparative analysis explicitly based on survey data was part of the first Los Angeles Rental Housing Study, reported in Los Angeles (1985). Gilderbloom (1986) has carried out a number of studies using comparisons among samples of rent controlled and non-controlled cities.

Nonetheless, the conditions and data employed do provide for a substantial degree of quasi-experimental credibility, albeit without definitive identification of causality.

RENT CONTROL AND HOUSING MARKETS

No two cities are identical. Program or policy impact comparisons, however, require that the differences either be relatively unimportant or clearly explainable in relation to the principal variables under consideration. For the purposes of this paper, two kinds of differences are critical. First, we wish to compare cities that have strict rent control ordinances with those that have either very weak ordinances or none. To satisfy this concern is relatively easy. Few California cities have passed unambiguously stringent rent control ordinances. Among them, Berkeley and Santa Monica are the largest and most important. The only other city with an ordinance that is comparably strict is West Hollywood. However, it was not a city in 1980, and it did not introduce rent control until its incorporation in 1986.

Second, we would like the two groups of cities to permit systematic analysis of characteristics that might affect how the consequences of strict rental regulation occur. This is a more difficult problem that would ideally require enough cities, both with and without strict rent control, to permit multivariate analysis of differences in outcomes across several variables. Since the group of strictly rent controlled cities includes only two cases, our best hope is to select comparison cities that are as similar as possible in key respects, other than in their approach to rental regulation. For this purpose, we have selected cities that are either adjacent or geographically close to the rent control cities and are quite similar in their demographic composition and social characteristics. In northern California, they include Albany, El Cerrito, Hayward, and San Leandro, all of which are older, East Bay cities of moderate or small size, with middle income, mostly white populations in 1980. In Southern California, we have selected Long Beach, which is larger than Santa Monica, but bears a similar relationship to the dominant city of the region, Los Angeles. In terms of their demographics, socio-economic makeup, and situation in regional housing markets, we believe that these cities offer substantial

similarities. In terms of rental regulation, they are all either non-controlled or have had rent control ordinances that are quite moderate in character.³ It is evident from this limited sample that we cannot overcome all the difficulties discussed above.

Nonetheless, the comparisons may be able to offer useful insights into the impact of strict rent control in a generally less regulated market.

The possible impacts of rental regulation are diverse, but several issues have been important. First, what is the actual impact of regulation on rent levels? Does rental regulation actually achieve what it is intended to do? Second, how does rent control affect different groups of tenants in their ability to pay? In current terminology, what is the impact on affordability? The question of impacts on the poor and minority groups is especially relevant here. Third, how does rent control affect the profitability of the operation of rental housing for owners? What impact does it have on their behavior? Fourth, and directly following from profitability, what effect does regulation have on housing quality? Finally, how does rent control affect the housing market at large, especially through movement of stock from rental into other forms of tenure, and through its influence on investors' decisions to build new rental housing. This paper addresses only the questions of rent levels, affordability, the rental housing stock, and impacts on selected populations. Housing profitability and new construction cannot be directly accessed through the Census data.⁴

Restraint on Rents

The first housing market indicator that should be affected by a strict form of rent control, obviously, is rent itself. Does this form of regulation achieve its primary objective, in the sense of restraining the growth of rents? Table 1 suggests that, indeed, it does. Between 1970 and 1980, that is before rental regulation, median rents in all seven cities grew at

³ Oakland was not included in the comparison group because its much larger size and its demographic and income composition make the city as a whole non-comparable with the others. However, a sample of comparable census tracts in Berkeley and Oakland were used for additional comparisons.

⁴ The U.S. Census does tract housing permits for multi-family housing, though not specifically for rentals, on an annual basis. That data has not been used for this paper.

varying rates, the lowest being 77 percent in Berkeley, and the highest, 125 percent, in Santa Monica. In contrast, during the rent control period of 1980 to 1990, two distinct groups emerged. In the low group, Berkeley and Santa Monica, median rents increased by 74 and 68 percent respectively. In the high group of five other cities, median rents rose between 130 and 151 percent. Over the same period, the California All Items Consumer Price Index, rose by 64 percent. Thus, in the cities with less regulated housing markets, rents grew at roughly twice the rate of rents in the cities under strict regulation.⁵ Although the number of cities is too small to permit statistical inference, the data certainly suggest that the widespread perception of the powerful effect of strict regulation on rents was not misplaced. This view is reinforced by Table 2, which presents information on house values over the same time period. The striking feature of this table is the absence of a difference between Berkeley-Santa Monica and the remaining cities. Although Santa Monica's house values rose very sharply in the 1970s, perhaps contributing to the decision to adopt rent control, during the 1980s the strict rent control cities saw appreciation in values that was comparable to those in other cities. Rental regulation might be expected to have little impact on the home ownership market, other than through the supply side as owners attempt to convert property from rental to ownership status, and this is exactly what we find.

⁵ It is worth noting that moderate rent controls can effectively restrain rents to match the general level of price inflation. A good example is the Los Angeles Rent Stabilization Ordinance, which has operated in this way for over fifteen years.

TABLE 1: MEDIAN GROSS MONTHLY RENT FOR
SELECTED CALIFORNIA CITIES, 1970- 1990

City	1970	1980	1990	Percent Change	
				1970-1980	1980-1990
Albany	\$122	\$242	\$608	98.4	151.2
Berkeley	128	226	392	76.6	73.5
El Cerrito	138	272	645	97.1	137.1
Hayward	141	273	629	93.6	130.4
Long Beach	101	232	551	129.7	137.5
San Leandro	134	255	608	90.3	138.4
Santa Monica	132	297	498	125.0	67.7

Source: U.S. Census

TABLE 2: MEDIAN HOME VALUE FOR SELECTED
CALIFORNIA CITIES, 1970- 1990

City	1970	1980	1990	Percent Change	
				1970-1980	1980-1990
Albany	\$22,100	\$85,500	\$241,800	286.9	182.8
Berkeley	26,600	96,400	261,000	262.4	170.7
El Cerrito	28,000	97,500	253,400	248.2	159.9
Hayward	22,600	75,700	184,500	235.0	143.7
Long Beach	23,000	82,100	222,900	257.0	171.5
San Leandro	23,800	79,600	193,700	234.5	143.3
Santa Monica	36,300	189,800	500,001	422.9	163.4

Source: U.S. Census

Observing that rent control restrains rents is scarcely controversial, although proponents and opponents of rent control would regard it in a very different light. Disputes about this form of regulation generally turn on the question of consequences of restraint on rents. These disputes take several forms, among them concern the impact of rent restraint on affordability, on housing quality, on the supply of new rental housing, and on the preservation of a stock of low and moderate rental housing accessible to low and moderate income and minority households. Census data allows us to say very little about

profitability, new housing supply, or housing quality. The questions of affordability, preservation of the rental housing stock, and minority access are more open to analysis.

Controlling Affordability

Advocates of rent regulation almost always point to it as a means for maintaining the affordability of housing, especially for the poor and minorities. Census data provide some insight into these concerns. Table 3 shows household incomes, rents and rent-to-income ratios (the proportion of household income going to pay rent) over the decade.⁶ In 1980, before rent control, rent/income ratios ranged from 0.21 to 0.28 across the seven cities. Berkeley was the highest, and Santa Monica just above the median. By 1990, both Berkeley's and Santa Monica's rent/income ratios had fallen by four percentage points, while ratios for the other five cities had risen by as much as five percentage points. The experience of the latter reflected the general pattern seen in U.S. rental housing markets over the decade. Rents were rising faster than incomes. Berkeley and Santa Monica clearly succeeded in running counter to that tide.

TABLE 3: RENT/INCOME RATIOS OF RENTER HOUSEHOLDS FOR
SELECTED CALIFORNIA CITIES, 1980 and 1990

City	Household Income, 1979	Household Rent, 1980	Rent/Income Ratio	Household Income, 1989	Household Rent, 1990	Rent/Income Ratio
Albany	\$13,565	\$2,904	0.21	\$28,294	\$7,296	0.26
Berkeley	9,750	2,712	0.28	19,288	4,704	0.24
El Cerrito	15,449	3,264	0.21	31,262	7,740	0.25
Hayward	15,468	3,276	0.21	28,800	7,548	0.26
Long Beach	11,264	2,784	0.25	24,201	6,612	0.27
San Leandro	14,740	3,060	0.21	31,133	7,296	0.23
Santa Monica	14,777	3,564	0.24	29,840	5,976	0.20

Source: U.S. Census

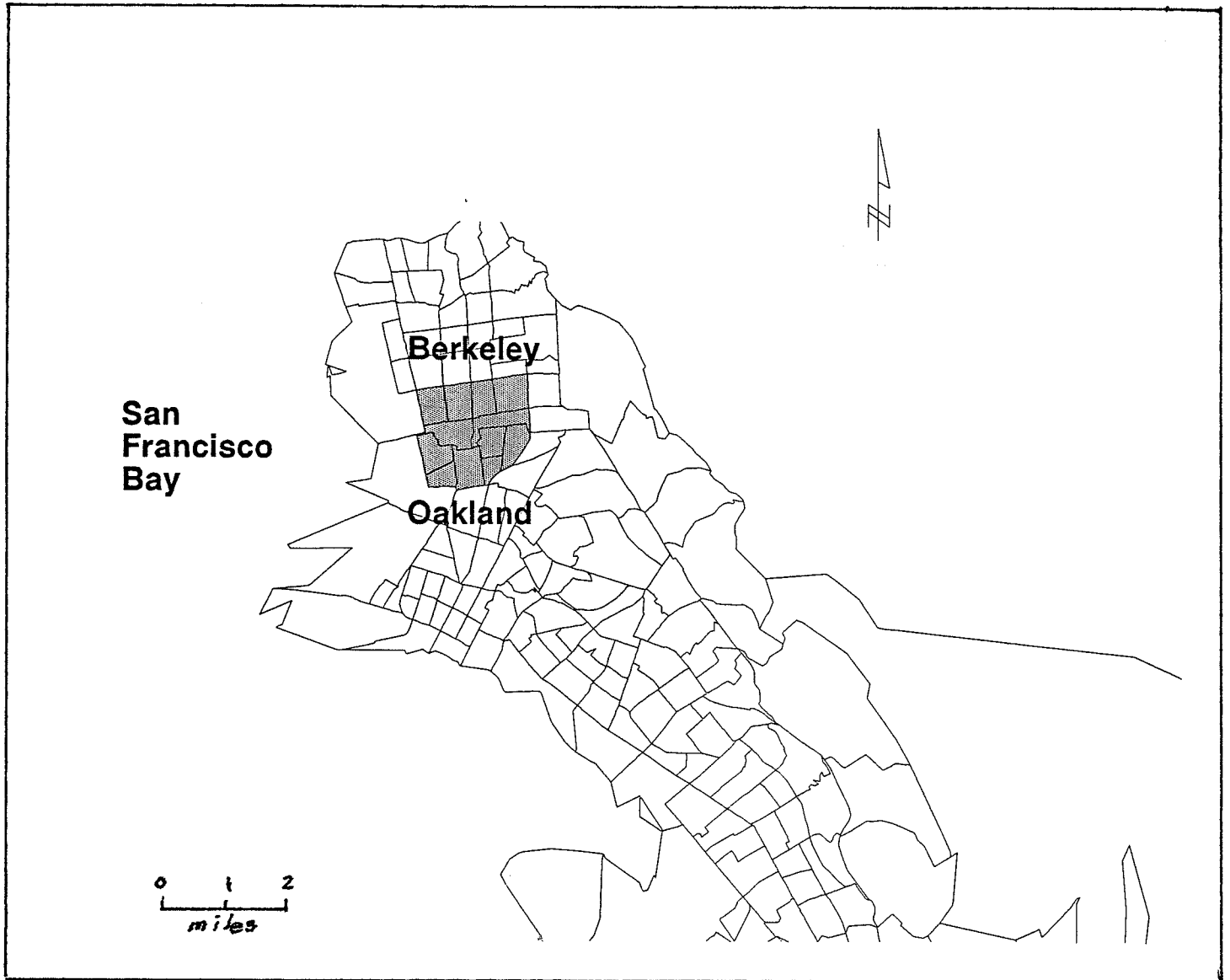
Notes: Annual median renter income and annualized median monthly reported gross rent.

⁶ Respondents are asked to report income in the U.S. Census are for the year preceding the Census year. Thus, incomes are reported for 1979 and 1989. Rents are reported as of the Census date in 1980 and 1990 and annualized. As a result, the rent/income ratios are technically inexact. However, the discrepancy is not serious, since the main purpose of the ratios is to permit comparisons on a constant basis among the cities.

That rents were the key factor in the shift is evident when we examine the behavior of the components of the ratio--household incomes and rents. Household incomes, unadjusted for inflation, in the sample cities grew over the decade by a range of 86 percent in Hayward to 149 percent in Long Beach. Incomes in Berkeley and Santa Monica grew by 98 percent and 102 percent respectively, in the lower part of the range but not greatly different from the others. In contrast, rents in the five non-rent control cities increased substantially, ranging from 130 percent in Hayward to 151 percent in Albany. In contrast, Berkeley rents increased by 74 percent and Santa Monica rents grew by 68 percent over the decade. The shift in rent-income ratios is clearly attributable to the rent rather than the income side, and there is no apparent reason, other than regulation, for rents to lag in those two cities. Tenants paid less than they would otherwise have been required to do in order to stay in their housing units.

This conclusion is reinforced by the analysis of 12 adjacent census tracts, six of which are located on each side of the boundary between Oakland and Berkeley, as shown in Figure 1. Oakland has a particularly mild form of rent control, but as a city was not included in the comparison group because it differs in major respects from Berkeley and Santa Monica. However, the six tracts on either side of the boundary are very similar and may be treated as comparable. Thus, they provide the opportunity to examine the experience of similar neighborhoods under very different regulatory regimes.

FIGURE 1: SELECTED BERKELEY AND OAKLAND CENSUS TRACTS, 1990



Over the decade of the 1980s, Table 4 shows that median incomes rose in both groups of census tracts, with the Oakland tracts showing a faster growth rate on average, 120 percent, in contrast to 94 percent in Berkeley. Changes in rents over the decade differed even more sharply. Rents in the Berkeley tracts increased on average by 82 percent, about half the Oakland rate of 162 percent. As a result, the average rent/income ratio in the Berkeley census tracts fell from 0.27 to 0.25, while that in the Oakland tracts grew from 0.25 to 0.30. Only one of the six Berkeley census tracts saw a rise in the rent/income ratio. Conversely, only one of the Oakland census tracts experienced a fall in the rent/income ratio. Despite the fact that their incomes, on average, had fallen below those of residents in the Oakland census tracts, Berkeley residents of these areas actually had four percent more money to spend after paying rent than their counterparts across the city line.

TABLE 4: RENT/INCOME RATIOS OF RENTER HOUSEHOLDS IN SELECTED CENSUS TRACTS IN THE CITIES OF BERKELEY AND OAKLAND, 1980 and 1990

Census Tract	Household Income, 1979	Household Rent, 1980	Rent/Income Ratio	Household Income, 1989	Household Rent, 1990	Rent/Income Ratio
Berkeley: 4233	\$7,318	\$2,040	0.28	\$14,941	\$3,864	0.26
4234	10,553	2,340	0.22	21,667	4,368	0.20
4235	10,670	2,568	0.24	17,535	4,476	0.26
4236	8,342	3,108	0.37	16,919	5,052	0.30
4239	10,953	2,652	0.24	23,149	4,776	0.21
4240	8,034	2,112	0.26	13,914	4,440	0.32
6 - Tract Avg.:	9,312	2,470	0.27	18,021	4,496	0.25
Oakland: 4004	9,931	\$2,640	0.27	\$27,679	\$6,780	0.24
4005	9,451	2,268	0.24	20,566	5,820	0.28
4006	7,218	2,112	0.29	18,333	5,520	0.30
4007	6,636	1,908	0.29	12,537	5,136	0.41
4008	9,074	1,992	0.22	16,341	5,256	0.32
4009	8,244	1,968	0.24	16,000	5,220	0.33
6 - Tract Avg.:	8,426	2,148	0.25	18,576	5,622	0.30

Source: U.S. Census

Notes: Annual median renter income and annualized median monthly reported gross rent.

From this perspective, it is not surprising that tenants tend to favor strict rent control. Perhaps retail merchants should support it too. But does it imply that tenants are unequivocally better off? Not necessarily so. Housing markets, like any other markets,

resist regulation more or less in proportion to its perceived impact on profitability. If the costs of regulation are high, then producers will seek out ways to minimize or avoid its impact, either legally or illegally. For housing, the fact that the product is not standardized and that rent represents a payment for the use of a unit that may change in quality without an equivalent change in rent, means that shifts in rent may not reflect shifts in the real price that is paid by tenants for housing. Thus, housing quality might have been rising over the decade in the non-regulated cities, if new, higher quality rental housing was being built, implying that the apparent rent increase was less than the "real" constant quality price of housing services. Data on the growth of rental units in non-regulated cities shown in the following section of the paper suggests that this may, indeed have been occurring. Similarly, in the rent regulated cities, owners may have succeeded in reducing housing quality, despite legal prohibitions, to the point where the apparently modest increases in rent conceal real increases that are much larger. With the data available, there is little that we can do to determine precisely the extent to which such compensating changes might have actually occurred.

However, there is another way in which owners might respond to regulation, namely by attempting to change the regulatory status of their housing units in a way that permits them to raise rates of return on their assets. Such a response would have the effect of reducing the affordable rental housing stock, which has been a concern of rent regulation ordinances since their inception.

Preserving Rental Housing

A major argument that is advanced in favor of rent control is that it encourages preservation of the affordable rental housing stock. Ironically, opponents of regulation have argued the reverse with equal vehemence. Since the Census does not differentiate between regulated and non-regulated housing, it is not possible to estimate directly how much of the regulated stock has, in fact, been preserved over the census interval.

However, the existence of a significant difference in value and potential return between comparable housing for rental and ownership, should provide a market incentive for

owners to attempt to move from one to the other. Thus, Census information on tenure may be a useful indicator of regulatory impact.

TABLE 5: CHANGE IN HOUSING TENURE FOR SELECTED CALIFORNIA CITIES, 1970-1990

City	All Occupied Units		Owner Occupied Units		Renter Occupied Units	
	1970-1980	1980-1990	1970-1980	1980-1990	1970-1980	1980-1990
Absolute Change						
Albany	1,057	337	314	(68)	743	405
Berkeley	(951)	(1,251)	960	2,058	(1,911)	(3,309)
El Cerrito	567	264	40	(167)	527	431
Hayward	6,512	5,517	3,124	733	3,388	3,784
Long Beach	9,122	7,364	2,667	97	6,455	7,267
San Leandro	3,186	1,924	1,090	89	2,096	1,835
Santa Monica	3,538	948	647	2,622	2,891	(1,674)
Percent Change						
Albany	18.2	4.9	10.3	-2.0	27.0	11.6
Berkeley	-2.1	-2.8	6.0	12.2	-6.4	-11.9
El Cerrito	6.2	2.7	0.6	-2.6	19.3	13.2
Hayward	23.2	15.9	19.8	9.2	27.6	24.2
Long Beach	6.4	4.9	4.3	0.1	8.1	8.4
San Leandro	13.3	7.1	6.9	0.5	25.7	17.9
Santa Monica	8.8	2.2	7.1	27.0	9.2	-4.9

Source: U.S. Census

Table 5 shows the change in tenure (owner occupied vs. renter occupied) in the seven cities. Between 1970 and 1980, there was no major difference in change in owner occupancy between Berkeley and Santa Monica and the remaining cities. During that period, Berkeley was the only city to exhibit a decline in renter occupancy, perhaps reflecting the early efforts to install rental regulation, but Santa Monica saw a substantial increase. In contrast, the 1980-1990 decade saw declines or, at best, modest increases in owner occupancy in all cities except Berkeley and Santa Monica, both of which experienced substantial increases. At the same time, while almost all the other cities saw increases in renter occupied units of ten percent or more, Berkeley and Santa Monica both experienced substantial decreases in their renter occupied stocks. Could this pattern be attributed to an extraordinary surge in the general demand for home ownership in Berkeley and Santa Monica? If so, home prices would have risen sharply. But, as we saw previously in Table 2, median home value increases in those two cities between 1980 and 1990 were not out of line with the other cities. There is no evidence of an unusual

level of demand. Far more likely is the explanation that there was a specific switch of stock from regulated, rental status to non-regulated, ownership status.

TABLE 6: RATIO OF THE NUMBER OF HOME OWNERS
TO RENTERS FOR SELECTED CALIFORNIA CITIES,
1970-1990

City	1970	1980	1990
Albany	1.11	0.96	0.85
Berkeley	0.54	0.61	0.77
El Cerrito	2.33	1.97	1.69
Hayward	1.29	1.21	1.06
Long Beach	0.78	0.75	0.69
San Leandro	1.94	1.65	1.41
Santa Monica	0.29	0.28	0.38

Source: U.S. Census

The result of these trends is visible in Table 6. The ratio of owners to renters fell consistently over the 1970-1990 period in every city except Berkeley and Santa Monica, where it rose equally consistently. Since all seven cities were located well within their respective metropolitan housing markets, and therefore subject to densification that favored rental housing, the behavior of Berkeley and Santa Monica is anomalous. The shifts that they exhibit cannot be unambiguously attributed to rent control, and in the case of Berkeley other policies, such as the Neighborhood Preservation Ordinance, which inhibited construction of new rental housing, were at work. Even so, the fact that Berkeley had almost a 12 percent decrease in renter occupied units over a decade which saw a comparable percentage increase in owner occupied units would have been an unlikely result of the regulation of demolition or building of housing.

Access to Rental Housing: Length & Tenure

Loss of rental housing as a result of movement of stock from rental to ownership status is not the only way in which access to lower cost rental housing may be reduced for some groups of potential occupants. If rents within a jurisdiction are maintained at a low level

over time, and the quality of housing not comparably reduced, then a further set of incentives to tenants in place is likely to occur. Tenants enjoying a housing "bargain" have less incentive to move to higher cost, higher quality housing as their income or household status changes. This increased stickiness in the rental housing market could occur in many ways. Older people might remain in place longer than they might otherwise have done as their households and circumstances change. In the case of a university town, such as Berkeley, students who have graduated but have secured jobs in the area might be more inclined to remain in place, rather than relocating to be closer to their employment. Young households that might have sought to move to home ownership might choose cheaper rental housing instead.⁷ In each case, the effect would be to lower turnover in the rental housing market, with the effect that new households entering the market have less access to housing.

TABLE 7: LENGTH OF RENTAL TENURE FOR
SELECTED CALIFORNIA CITIES, 1980 AND 1990

City	Percentage of Rental Households in Place for More than 5 Years	
	1980	1990
Albany	17.4	20.6
Berkeley	19.7	33.0
El Cerrito	25.7	24.4
Hayward	17.0	21.3
Long Beach	19.8	20.3
San Leandro	26.2	23.8
Santa Monica	27.6	37.3

Source: U.S. Census

Although we cannot identify such individuals or groups with any assurance, evidence for such a scenario may occur in the form of changes in the length of tenure of tenants. If low rents have the effect hypothesized above, then we should observe lengthening tenancies, with a strong differential in the cities or census tracts under strong rental

⁷ On the other hand, those same households might be able to take advantage of low rents to build up their savings for down payments more quickly.

regulation. The Census provides information on length of tenure of tenants in place in a form that permits such comparisons. Table 7 shows the percentage of rental households that had been in place for more than five years in the selected cities in 1980 and 1990. Two striking features emerge from the table. First, all cities experienced an increase in the length of tenure. This conforms to the observation of an increasing tendency to stay in place that has generally been found elsewhere. Second, the increase in the proportion of tenants in place for more than five years in Berkeley and Santa Monica was clearly much greater than in the other cities. By 1990, both of these cities had more than one-third of tenants in place for over five years, while the next highest community had less than one-quarter. Although Santa Monica had had the highest proportion in this category in 1980, the difference between it and the less regulated cities increased sharply over the decade. Berkeley changed from being an average city among the group as a whole, to being the city with the second highest percentage of tenants in place for more than five years. During a period in which length of rental tenure generally increased, the presence of strict rent regulation is evidently associated with even lower rates of turnover.

TABLE 8: LENGTH OF RENTAL TENURE FOR
SELECTED CENSUS TRACTS,
BERKELEY AND OAKLAND, 1980 AND 1990

	Percentage of Rental Households in Place for More than 5 Years	
	1980	1990
Berkeley Census Tracts	20.6	37.6
Oakland Census Tracts	31.8	35.7

Source: U.S. Census

Note: Census tracts in each city are those shown in Fig. 1 and Table 4.

Analysis of the comparative census tract data for Berkeley and Oakland reinforces this conclusion. Table 8 summarizes for the census tracts on either side of the Oakland-

Berkeley boundary the percentage of tenants in place for more than five years. In 1980, the percentage in the Berkeley tracts was much lower than that in Oakland, probably reflecting the higher population of students on the Berkeley side of the line. By 1990, the percentage of tenants in place for more than five years in the Berkeley tracts exceeded that in Oakland, having almost doubled over the decade. In three of the six Berkeley tracts, the percentage more than doubled. In contrast, the percentage in Oakland increased only moderately, and in two tracts it actually decreased. During this period, a spillover of students from Berkeley into Oakland seems to have occurred, and it may have driven up rents and led to tenant turnover.

The evidence that these results, both for the cities and the census tracts, were due primarily to the existence of rigorous rental regulation is not unambiguous. Our samples are too small to permit the full analysis of the multiple influences that might be at work in each case. Nonetheless, the data very strongly suggest such an effect. The conclusion that access to housing is reduced for new entrants to the market has to be given credibility.

Minority Access to Rental Housing

The desirability of maintaining a diverse racial and ethnic mix in communities has been frequently advanced as a justification for rental regulation. Given the fact that some minority groups have lower incomes and more precarious economic circumstances than the population at large, any regulation that would buffer them from the pressures of rapidly rising rents should also enable them to remain in place rather than being forced to seek other housing. On the other hand, it might also be argued that an open housing market offers greater opportunity for minority households to exercise choice consistent with their economic resources, and that the existence of strict regulation may lead to owner behavior that is adverse to minority occupancy.

TABLE 9: PERCENTAGE CHANGE IN POPULATION BY RACE FOR
SELECTED CALIFORNIA CITIES, 1970-1990

City	Percent Change					
	All Groups	White	Black	Native American	Asian/ Pacific Islander	Other Races
1970-1980						
Albany	3.1	-12.8	64.0	NA	NA	NA
Berkeley	-11.5	-13.7	-25.6	NA	NA	NA
El Cerrito	-9.8	-25.3	58.9	NA	NA	NA
Hayward	1.2	-18.7	216.7	NA	NA	NA
Long Beach	0.8	-18.0	37.9	NA	NA	NA
San Leandro	-6.9	-16.2	808.3	NA	NA	NA
Santa Monica	0.0	-7.6	-14.8	NA	NA	NA
1980-1990						
Albany	7.9	11.0	12.7	46.9	69.5	44.4
Berkeley	-0.6	-6.4	-7.2	46.7	53.4	-5.9
El Cerrito	0.6	-7.6	-4.0	38.3	40.2	-7.2
Hayward	18.4	-2.9	105.1	20.4	144.7	33.7
Long Beach	18.8	-7.1	44.2	-6.7	197.1	110.0
San Leandro	6.7	-9.5	414.2	53.5	120.1	40.8
Santa Monica	-1.6	-4.9	9.1	-3.0	55.6	0.2

Source: U.S. Census

Notes: Data for Native American, Asian/Pacific Islander and Other Races are unavailable for 1970.

Due to changes in Census definitions, comparison of Latino populations are not possible.

The census data present an interesting and ambiguous picture for all the selected cities. (See Table 9.) Although change in their total populations varied over the two decades, virtually all the cities lost white population, with the rate of loss decreasing in the 1980-1990 period. Both Berkeley and Santa Monica experienced loss of African-American inhabitants in the 1970-1980 decade, but in the 1980-1990 period this trend was reversed for Santa Monica and substantially reduced for Berkeley. The remaining cities generally saw substantial gains in black population in the earlier decade, followed by reduced but still positive gains in the later period. Thus, the direction of the trend for the two rent control cities may support the pro-rent control argument in the sense that the negative trend in both was reversed or slowed after regulation came into being, while the positive trend in the other cities was decreasing. This conclusion is reinforced by Table 10, which shows percentage shares of population groups in the selected cities over time. During the 1980-1990 decade, Berkeley's black population share continued to fall, but at a decreasing rate, while Santa Monica's share reversed direction and increased.

TABLE 10: PERCENTAGE SHARE OF TOTAL POPULATION BY RACE
FOR SELECTED CITIES, 1970-1990

City	Percent Share					
	All Groups	White	Black	Native American	Asian/ Pacific Islander	Other Races
1970						
Albany	100.0	89.2	3.6	NA	NA	NA
Berkeley	100.0	67.7	23.9	NA	NA	NA
El Cerrito	100.0	86.3	5.5	NA	NA	NA
Hayward	100.0	93.8	1.8	NA	NA	NA
Long Beach	100.0	91.8	8.2	NA	NA	NA
San Leandro	100.0	97.0	0.1	NA	NA	NA
Santa Monica	100.0	92.8	4.8	NA	NA	NA
1980						
Albany	100.0	75.4	5.8	0.5	12.5	5.8
Berkeley	100.0	66.0	20.1	0.4	9.6	3.9
El Cerrito	100.0	71.4	9.7	0.3	16.2	2.4
Hayward	100.0	75.4	5.7	1.0	7.5	10.5
Long Beach	100.0	74.7	11.3	0.8	5.4	7.8
San Leandro	100.0	87.4	1.2	0.5	6.7	4.2
Santa Monica	100.0	85.7	4.1	0.4	4.0	5.8
1990						
Albany	100.0	70.7	6.0	0.7	19.6	3.0
Berkeley	100.0	62.1	18.8	0.6	14.8	3.7
El Cerrito	100.0	65.6	9.3	0.4	22.5	2.3
Hayward	100.0	61.8	9.8	1.0	15.5	11.8
Long Beach	100.0	58.4	13.7	0.6	13.6	13.7
San Leandro	100.0	74.1	5.8	0.7	13.8	5.6
Santa Monica	100.0	82.8	4.5	0.4	6.4	5.9

Source: U.S. Census

Data for other ethnic groups are not available for the 1970-1980 period, and for Latino populations the problem of comparability of definitions makes comparisons infeasible. Substantial absolute and percentage increases in Asian/pacific populations occurred in all cities between 1980 and 1990. Percentage gains in native American populations were mixed, but the numbers were small, no more than about 200 in any city.

The aggregate data discussed above comes into clearer focus when we examine changes in housing occupancy by race and tenure together. Table 11 shows percentage changes in the seven cities broken down in this way for the 1980-1990 decade. Two features stand out in the table. First, in the strict rent control cities, white owner occupancy increased in the 1980s, in strong contrast to all other cities. At the same time, black owner occupancy was falling and Asian/pacific rising, but in this respect the cities were not unique. Second, the renter occupancy data indicate that black households generally were increasing their rental occupancy in these cities over the decade, but they were in competition primarily with people of Asian/pacific origin and higher incomes. In the strict rent control cities, they generally did no better in that competition than elsewhere. However, Berkeley and Santa Monica had the lowest growth in rental units of all the cities over the period, so it may be that the ability of black renters to do as well as they did was sustained by the existence of rental regulation.

TABLE 11: PERCENT CHANGE IN OCCUPIED UNITS BY TENURE AND RACE FOR SELECTED CALIFORNIA CITIES, 1980-1990

City	All Occupied Units	Owner Occupied			Renter Occupied		
		White	Black	Asian/Pacific Islander	White	Black	Asian/Pacific Islander
		Percent Change			Percent Change		
Albany	4.9	-5.9	-16.2	45.4	3.7	24.9	72.8
Berkeley	-2.8	18.1	-12.8	34.1	-22.3	-8.5	67.6
El Cerrito	2.7	-7.7	-11.7	35.0	5.2	19.6	69.7
Hayward	15.9	-1.8	34.3	123.7	0.9	152.9	181.8
Long Beach	4.9	-5.9	7.4	105.9	-13.9	54.0	174.9
San Leandro	7.1	-7.6	177.2	109.8	-3.2	557.1	172.3
Santa Monica	2.2	26.0	-6.0	81.8	-7.0	5.7	49.6

Source: U.S. Census

It is difficult to draw a clear conclusion from this analysis. While it does seem likely that the existence of strict rent control helped to shelter minority population from even worse outcomes than they sustained, it also appears that the market conditions that were generated in part by rent control may have created some of the market pressures that they faced. However, it is also clear that other factors, especially the entry into these housing markets of new groups of households able to compete for space, were important to the outcomes for the more vulnerable minority households.

CONCLUSION

The use of data from the U.S. Census permits us to see some of the consequences of strict rent control ordinances in a clearer focus, even as other impacts remain indistinct. There seems to be little doubt that such ordinances have succeeded in maintaining rent levels at significantly lower levels than they would otherwise have experienced over a period of years. As a result, rent/income ratios in cities with strict ordinances have increased more slowly than in non-regulated cities, providing renters with higher levels of discretionary income. Poorer tenants probably have been able to remain in place more easily than would otherwise have been the case, but access to housing on the part of newcomers, whether poor or minority probably has been diminished. In part, this effect is apparently due to the incentives to tenants to stay in place, thereby reducing turnover in the rental housing stock.

Another reason for diminishing access is that there appears to have been a significant shift of housing stock out of rental status and into home ownership in cities with strict ordinances. Strict regulation brings with it a strong and justified presumption on the part of rental housing owners that they are unable to reap the full gains that ownership of rental property would otherwise bring. That they would seek alternative modes of tenure is quite logical and appears to be borne out by the data. In theory, owners should also seek to realize the rate of return that the market promises in other ways. Especially, they might affect profitability in tight markets by reducing housing quality through undermaintenance, reduction of services, and non-replacement of capital, to the point where real rents rise to a market equivalent level. Most ordinances prohibit such behavior, but it is difficult to regulate. The Census provides no information on the quality or profitability of rental housing, so this proposition cannot be evaluated here. Although a number of attempts have been made, a definitive study of owners' responses to strict rental regulation remains to be successfully carried out.

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