

*Palo  
Alto*

# Weekly

**CAUTION:  
RENT  
INCREASES  
AHEAD**

## **Big blow to rent control**

*All sides agree state bill  
approved last week will have  
major impacts on East Palo Alto.*

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Right, Michelle, Rosa, Yaniia and Jubenal Garcia have been living in a two-bedroom apartment at 1941 Cooley Ave. for seven years. Jubenal does not trust that landlords will put the money from rent increases back into the apartment complexes.

Below, Frank Burns, who owns apartments at 1955 and 1959 Manhattan Ave., said, "Rent control denies the property owner a fair return on the investment, and that's not fair."

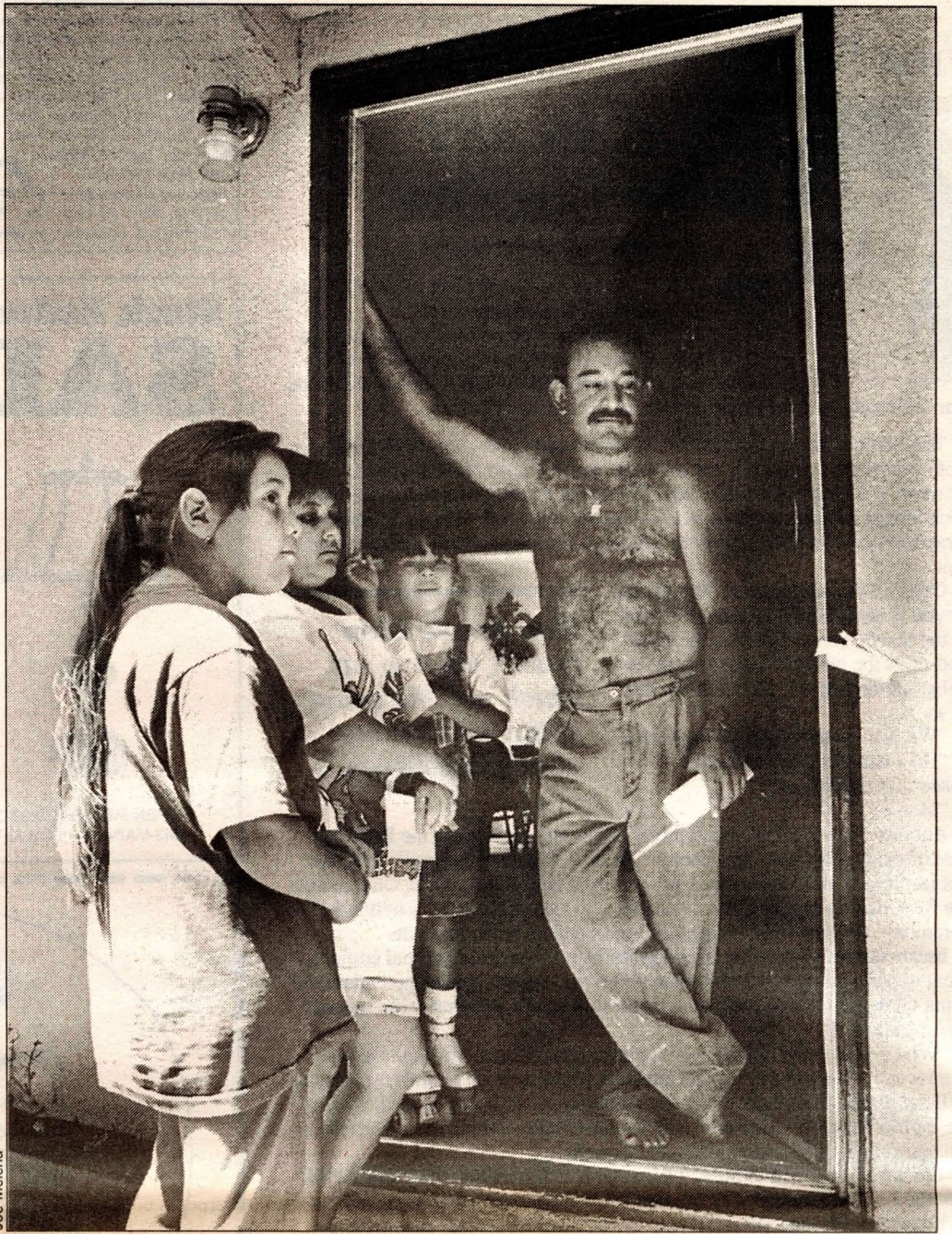


Joe Melena

State Sen. Tom Campbell said removing vacancy controls will loosen up money for new construction, which will then produce additional affordable housing in East Palo Alto.



Carolyn Clebsch



Joe Melena

# BIG BLOW TO RENT CONTROL

**Landlords benefit from state bill that targets 12-year-old East Palo Alto laws**



by Don Kazak

The authority to control rents is no small matter in East Palo Alto. This community of 23,452 residents and 4,053 rental units is a city that was founded in 1983 on the principles of rent control. The city's rent control law has been approved by city voters three times.

So it came as a blow last week to city officials—some of whom were preparing for a Thursday night celebration of the city's 12th anniversary—when word arrived from Sacramento that the state Legislature had approved a bill that would essentially gut the city's rent control laws.

SB 1257 will pre-empt some of the strongest local rent control laws in California cities, including those in Santa Monica, Berkeley and East Palo Alto. It still awaits the signature of Gov. Pete Wilson, but that is expected to come with little delay.

The bill, which would become law on Jan. 1, 1996, was opposed by Assemblyman Byron Sher, D-Redwood City, and supported by



state Sen. Tom Campbell, R-Palo Alto.

But the news was not somber to all East Palo Altans.

"I'm very happy about it," said Fred Kiani, an apartment building owner and a member of the city's Rent Stabilization Board. "It will realistically allow the owners to collect a little more rent when there is a vacancy, and will allow owners to repair and maintain their buildings."

The main provision of the law is vacancy decontrol: Apartments that become vacant will be removed from rent controls, after a three-year phase-in period. The property owner then can charge whatever the market will support; once a new tenant is in the apartment, its subsequent rent increases are again controlled by the city.

In addition, after a three-year phase-in period, single-family rental homes and condominiums

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***"The question is whether rent control under vacancy decontrol will be meaningful. The market pressures will be felt very forcefully. (Landlords) will use various strategies to get people out."***

—William Webster

will become exempt from rent control laws when they become vacant. Any home or condo that doesn't have a turnover will remain in the rent control program.

Campbell said he had a difficult time standing up at a town hall meeting in East Palo Alto July 9 and explaining why he supported the bill. "It was hard saying no to a group that intense," he said.

But Campbell believes he made the right vote.

Removing vacancy controls will loosen up money for new construction, Campbell says, which will then produce additional affordable housing.

"This is economics 101," said Campbell, who has a doctorate in the subject. He explained that rent control laws are used as case examples in many economics textbooks as examples of bad public policy because of their effect over time.

"You benefit those who have apartments until they are run-down, and nothing new gets built," Campbell said.

Speaking to the issue of the three public votes for rent control in East Palo Alto, Campbell said, "Normally, I would go for local control. But East Palo Alto's decision affects the housing supply in other cities."

East Palo Alto has 2,700 housing units governed by rent control, including about 150 to 200 single-family homes, said William Webster, a member of the city's Rent Stabilization Board.

Webster, who went to Sacramento to lobby against the bill, has been outspoken about it.

"The impact won't be felt immediately, but it certainly will in time," Webster said.

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## Renters react to changes with fear, confusion

*Vacancy decontrol could end up forcing renters to remain in poorly maintained complexes*

Julio Serrato sits with his family and neighbors outside in the shade of their Manhattan Avenue apartment in East Palo Alto.

His mother is unsure about what the changes in East Palo Alto's rent control laws will mean for her family, the 15-year-old says. But when it comes to the possibility of landlords raising rents, she fears the worse.

"It's pretty bad," said Julio, translating for his mother. "It'll affect us in many ways. If it works out here, we might stay here. (My family) prefers living here."

Does she like her apartment?

No, she says.

"I do," says her other young son quietly. "I like it. I have my friends here."

Reaction among East Palo Alto renters to the passage of a state bill that would dramatically alter the city's rent control laws ranged from fear to anger. Many, however, were not even aware of the changes.

"I hadn't heard about the bill," said Roberto Arroyo, with the help of another young translator.

Arroyo and neighbors at 355 O'Keefe crowded around a worker, watching him fix the water drainage. "More money for rent is no good. Even the water is no good," he said.

"It's a bad story," said one elderly East Palo Alto resident who asked to remain anonymous. "If (rent) goes up, there's no way we can pay it."

Large families seemed to have the most concern about what this would mean for them.

"It's bad because she has a lot of kids, nine kids total. It's already hard to pay the rent," said Javier Yopez, 8, speaking for his mother Maria Saavedra at their Cooley Avenue complex.

"There are two bedrooms for nine people," said Javier. "We may move because here it's too small. People who live here are too loud."

Although those who remain in their apartments will continue to be covered by rent control, that is no comfort for those who feel they may get stuck in poorly maintained housing.

Javier and his family would like to move from the apartment where they have lived for the past seven years.

"We want to leave because the carpet is coming off," said the 8-year-old, translating for his mother. "The owner says he doesn't want to paint (the walls) because it's broken. The manager doesn't put screens up."

"The apartments are already destroyed," said Sylvia Sierra, 14, who lives with her mother, Lupe Sierra, at 280 O'Keefe, with her cousins nearby. "The doors are broken. I don't know how they can do that (be allowed to raise rents)."

Jubenal Garcia, the father of three, has also been living in an apartment complex at 1941 Cooley Ave. for seven years. The five people in his family are living in two bedrooms. He said he has been asking for screens for the windows for two years. The carpet is very old as well.

He does not trust that if the landlords are able to raise rents they will put the money back into the apartment complexes.

"Even if he's getting more money, he's not going to fix it," said Garcia. "It takes a long time to get something fixed. Even if you have a burn in the kitchen, it'll take over a month to fix."

But apartment owners had a much different reaction to the state Legislature's action.

"I think the rent stabilization board is the worst thing that's ever happened," said Laurie Lee, outside watering the plants of his 2031 Euclid Avenue apartments. "I don't tell them how to spend their paycheck, but they tell me how to spend my paycheck."

Most of his units he rents for \$505 a month. The highest he charges is \$563.

Lee opens the door to a unit that became vacant due to an eviction. A stench fills the room which is coated with cigarette buds and trash.

"The (former) tenant ripped all this out," he said. "I put in a new stove, new paint, new curtains. There are cockroaches all over. They've threatened people with a deadly weapon. I mean it's that bad. Two weeks ago the sheriff kicked them out."

"I hate to see people go hungry, but . . . When she was evicted, there was vomit and diapers all over here," said Lee. "And I can't do anything about it."

Lee said he has lost more than \$100,000 in the 6 1/2 years he has owned the place.

"I've put in thousands of money and hours," he said. "I don't know about other owners, but when tenants move out, I put it back in A-1 shape."

"Whenever I try to get more backing from the rent stabilization board or the police, they say their hands are tied."

—Janice Kim



### What the new state law concerning rent control means for East Palo Alto:

- Beginning Jan. 1, 1996, East Palo Alto apartment owners will be allowed to increase rents 15 percent, or up to 70 percent of market-rate rents, when apartments become vacant. Landlords are allowed to make no more than two 15 percent rent increases in three years.

- After three years, there will no ceilings on rate increases when apartments become vacant.

- Single-family rental homes and condominiums will be exempt from rent control laws after three years, but only when they become vacant. Any home or condo that doesn't have a turnover remains in the rent control program indefinitely.

### How state law will not affect rent control in East Palo Alto:

- Currently occupied apartments will continue to be covered by local rent control limits, as governed by East Palo Alto's Rent Stabilization Board, with no change.

- Apartment owners must continue to show just cause for any evictions.

- Newly constructed apartments will be exempt from rent control under this new legislation. But this is not new for East Palo Alto, which has exempted new construction since the rent control law was passed in 1983.

—Don Kazak

## Rent control

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"The question is whether rent control under vacancy decontrol will be meaningful," Webster said. "The market pressures will be felt very forcefully. (Landlords) will use various strategies to get people out" to charge higher rents.

"I certainly welcome the change," said Frank Burns, who owns a 14-unit building. "(Rent control) almost bankrupted me, and it bankrupted a lot of my friends. A lot of owners are hanging on by a thread."

The number of foreclosures in recent years has worried other property owners, and the change may bring relief for some of them. "Hopefully it will stem the tide of property owners declaring bankruptcy," said Joe Balaty, who has owned an 11-unit building for 25 years.

"They made it very difficult to do business in the city," Balaty said. "It's been hard to evict problem tenants, including drug dealers."

Burns said, "Rent control denies the property owner a fair return on the investment, and that's not fair."

In East Palo Alto, the Rent Stabilization Board has allowed rents to be raised to meet inflation, which has meant average increases of 3 percent a year for the last five years. In addition, apartment owners can petition the rent board for larger increases when making improvements, such as putting on a new roof or installing new carpets.

Kiani said the changes will allow property owners to charge a little more and give them more money to "fix leaky roofs and torn carpets. It will make it a healthier and safer community, and tenants will enjoy that."

Eventually, Kiani said, the changes will increase property values in East Palo Alto, which will produce more tax revenue for the city, which will then be able afford to pay for more services for residents.

But those changes may be gradual. Because of the phase-in, and also because of the rental market, the new law "will take a considerable length of time" before it produces any changes, Burns said. Both Kiani and Burns say they know of no apartment building owner who is now even charging as much rent as the rent board allows.

"The market won't allow it," Kiani said. The U.S. Census showed that the median monthly rents in East Palo Alto climbed from 1980 to 1990 from \$258 a month to \$530 a month.

"Properties in Mountain View, Los Altos, Palo Alto and Menlo Park are much more desirable," Burns said. He said the turmoil the city went through in 1992 and 1993 still has an effect. "That stigma is still with us," he said.

"The bottom line is the market will decide these rents," Kiani said. "The market will keep the rents down."

Balaty said he wishes he had sold his building several years ago. First,





Margaret Kaye

*"As the economy improves, East Palo Alto will look more like Palo Alto through gentrification," said William Webster, above, a member of the former city's Rent Stabilization board. "It will happen in a big way in East Palo Alto, which has prime real estate." Below, tenants complain that landlords refuse to keep up apartments; in turn, landlords point to tenant-inflicted damage like this.*



Joe Malena

property values leveled off or even went down as vacancies on the west side of East Palo Alto increased and the buildings deteriorated. Then the city's street traffic in drugs turned very violent, with 42 homicides in 1992 and the accompanying notoriety as "the homicide capital" of the country.

"In hindsight, it would have been smart to sell," Balaty said. "But who knew how bad things were going to get?"

**T**he new law may lead to the displacement of low-income tenants by others who can afford to pay a little more rent. Burns welcomes that displacement, or gentrification. "Gentrification may bring about some relief for property owners," he said.

But Webster isn't happy about that possibility.

"As the economy improves, East Palo Alto will look more like Palo Alto through gentrification," Webster said. "There is no debate over

this. It will happen in a big way in East Palo Alto, which has prime real estate."

Others also fear for the future of the city's low-income tenants.

"Poor people are being hurt," said Vice Mayor Sharifa Wilson. Welfare reforms in Washington and now state action will both affect many of the city's residents, she said.

Wilson, Webster and other rent control advocates met with Campbell in the July town hall meeting to complain about his vote for SB 1257 by Sen. Jim Costa, D-Fresno. It was a version of that bill, AB 1164 by Phil Hawkins, R-Artesia, that was passed by the Assembly last week and now awaits Gov. Wilson's signature.

Webster told Campbell last month that he was ignoring the wishes of his East Palo Alto constituents by voting for the bill, especially since city voters have approved rent control three different times.

Sharifa Wilson, who went to Sacramento to speak out against the bill, also told Campbell she was unhappy with his vote. "I told him I was disappointed," she said. "He did not use any statistical information (continued on next page)



### Rent control

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from East Palo Alto, just from Santa Monica and Berkeley."

A widely quoted study showed that those two cities have lost rental housing units since rent control was enacted. But no such thing has occurred in East Palo Alto. In fact, what little statistical information exists shows the number of rental units may have increased since rent control was approved by East Palo Alto voters in April 1984.

"Each city is unique and has unique housing needs," Wilson said. "It's not fair for the state to make a law that applies to an issue as close as housing. It's really a local issue."

East Palo Alto, meanwhile, isn't certain what it will do, Wilson said, but probably has no option but to

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***—Sharifa Wilson***

comply with the new law, which will take effect on Jan. 1.

The City Council has asked City Attorney Mike Lawson to analyze the likely impact of the bill on the city.

"We still want to protect tenants from unfair landlords," Wilson said, through the city's just-cause eviction law.

Berkeley and Santa Monica are also bracing for the new law, said Lenny Goldberg, a housing advocate who represents several rent-control cities in Sacramento.

The cities will be looking out for landlords who want to take advantage of the vacancy decontrol by "encouraging" vacancies. "Rent control programs will have to strictly monitor evictions and harassment," he said. "There's a lot of ways to 'game' the system to get full market rents."

Goldberg thinks that the effect of the law will be a loss of affordable housing, especially in high-priced Santa Monica, but also to some extent in Berkeley. Now, he said, landlords will be more interested in renting to shorter-term tenants, like college students, so apartments turn over periodically and enable them to increase the rents, instead of to older people or families with children.

Apartment owner groups in Sacramento have been trying to get a rent control pre-emption bill passed for more than a decade. Even though they've succeeded in the Legislature, they're still fighting on other fronts.

R.S. Radford, of the Pacific Legal Foundation, has been fighting rent control for several years. His firm has four lawsuits in progress—against Berkeley, Santa Monica, Cotati and Escondido—all at the trial courts.

"We're still following up with the legal challenges," Bradford said. "What the legislature does one year can be undone the next." ■