



A Case Where “Renters Rule”?

The Motivations for Rental Housing Policy in One Southern California City

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Housing unaffordability has become a crisis in many metropolitan areas today, including Los Angeles. Housing supply restrictions and a lack of funding for affordable housing preservation and production are often blamed for this crisis. A prevailing explanation for restrictive housing policies is that homeowners (“homevoters”) use their electoral influence to protect their home values. But what happens when renters outnumber homeowners in a city? Do renters rule? To better understand local political motivations, I analyze the determinants of housing policy in West Hollywood, an incorporated Southern California city with relatively extensive affordable housing programs and policies. I find that there are four explanations for West Hollywood’s rental housing policies: (1) renters compose the majority of the city’s households, (2) pro-rental policies are part of both the city’s history and future vision, (3) new affordable housing is compatible in scale and design with existing housing, and (4) most of the responsibility for producing or preserving affordable housing is borne by local property owners and developers.

1. Introduction

Housing affordability has become a crisis in many cities today, and Los Angeles was recently identified as the most unaffordable metropolitan rental market when comparing incomes and rents (Ray, Ong, and Jimenez 2014). Exclusionary zoning policies—particularly regulations that hinder development of rental and multi-family housing—are blamed for limiting housing supply in high-demand markets and for raising prices (Glaeser, Gyourko, and Saks 2005; Pendall 2000). A prevailing explanation for exclusionary land use and housing policies is that homeowners (“homevoters”) use their electoral influence to protect their home values by opposing threats to good schools, low taxes, and quality of life (Fischel 2005; Ihlanfeldt 2004). While much of the academic literature focuses on the *exclusionary* policies of homeowner-dominated municipalities, are there cities with more *inclusionary*, renter-oriented policies and if so, what factors contribute to their continued existence?

I define inclusionary policies as ones supportive of multi-family housing development and/or the financial interests of at least some segment of renters. This includes adequate zoning for multi-family housing, inclusionary zoning requiring affordable housing development along with market-rate unit production, and rent control. I am not making any claims about the efficiency of these programs or how equitably the benefits are distributed; I rely on West Hollywood’s (2008) characterization that nearly 80% of the city’s housing stock is multi-family to infer that the zoning code is generally supportive of multi-family development. Additionally, analyzing the beneficiaries of the city’s rent control ordinance is beyond the scope of this paper. Although rent control is politically popular, economists have generally found it to be problematic because it reduces housing supply due to lower prices, provides disincentives for landlords to adequately maintain a property, encourages households to go to great lengths to obtain a rent-controlled apartment, and potentially leads to mismatches between the characteristics (e.g., unit size) of a household’s rent-controlled apartment and the household’s current needs (Glaeser and Gyourko 2008).

To better understand the local political motivations behind renter-oriented housing policies, I analyze West Hollywood, an incorporated Southern California city (population 35,000) with relatively extensive affordable and rental housing programs and policies. I have reviewed the city’s plans and policies and interviewed the city’s rent stabilization and housing manager. I find that there are four explanations for West Hollywood’s rental housing policies: (1) renters compose the majority of the city’s households, (2) pro-rental policies are part of both the city’s history and future vision, (3) new affordable housing is compat-

ible in scale and design with existing housing, and (4) most of the responsibility for producing or preserving affordable housing is borne by local property owners and developers.

2. The Majority of the City's Households are Renters

A central explanation for West Hollywood's rental housing policies is the city's high share of renters; about 80% of households are renters (U.S. Census Bureau 2013). While I expect cities with large shares of renters to have more renter-oriented housing policies, neighboring Beverly Hills presents a counterexample. Although nearly 60% of Beverly Hills households rent, there are practically no renters at the table in decision-making (Noonan, pers. comm.). This illustrates the importance of the expectations of existing and income residents. While a homeowner might move to Beverly Hills expecting that homeowner interests will dominate local politics, a person moving to West Hollywood would not have that expectation (Noonan, pers. comm.).

3. Pro-Rental Policies Are Part of West Hollywood's History and Future Vision

West Hollywood's history and future vision are rooted in rental housing issues. The city incorporated in 1985 and one of the first ordinances the new city council passed was a rent stabilization ordinance (West Hollywood 2014; Noonan, pers. comm.). The city incorporated in large part *because* residents wanted to prioritize housing affordability, and two of the five city council members were actively involved in the city's independence (Noonan, pers. comm.). But, while this history set the foundation, the popularity of these measures has clearly ensured their staying power. The city's mission statement includes language related to equity, diversity, and affordability. One of the city's core values is maintaining "a balanced sense of community by protecting quality of life, conserving our historic neighborhoods, safeguarding housing affordability, and proactively governing growth with care and thought" ("Mission Statement and Core Values" n.d.). As long as the majority of households in West Hollywood continue to be covered under the rent stabilization ordinance, the public will feel that affordability is integral to maintaining the city's quality of life, and support will remain strong (Noonan, pers. comm.).

4. Rental Housing Policies Have Politically Popular Features

The two main rental housing policies in West Hollywood—the rent stabilization and inclusionary housing programs¹ (Noonan, pers. comm.)—are understandably politically popular for three reasons. First, rent control stabilizes rents for existing residents in eligible buildings. Second, inclusionary zoning creates new affordable units that are incorporated into market-rate developments, and similar in scale to other housing in the same neighborhoods. Third, both rent control and inclusionary zoning shift responsibility for producing or preserving affordable units to the private sector. The inclusionary zoning ordinance requires developers of most residential projects to ensure that about 20% of the units are affordable to low- and moderate-income households (West Hollywood 2015). The rent stabilization ordinance requires property owners of multi-family buildings built before 1979² to accept lower rents than the market might otherwise bear because the city sets the “maximum allowable rent” for each eligible unit; property owners may usually only increase the rent by 75% of the Consumer Price Index annually (West Hollywood 2014).

5. Implications and Recommendations

West Hollywood is unusually renter oriented and the city’s example provides lessons that are applicable to other cities. First, even in cities with smaller shares of renters, the benefits of providing affordable and rental housing need to be widely felt and part of the community’s future vision. This would differ by community, so local political support may be based on equity or economic competitiveness. Regardless, affordable housing policies need to resonate with a municipality’s residents. Second, affordable housing should fit into the community’s existing housing stock. It should be of similar density and compatible design with market-rate housing. West Hollywood’s inclusionary zoning requirements show that units for low-income households can be incorporated into the same buildings as higher-cost housing. In short, West Hollywood shows that a combination of factors explain a city where “renters rule.”

Notes

¹ The academic literature generally refers to policies like West Hollywood's rent stabilization ordinance as "rent control." I use this established term throughout the paper. Also, the terms "inclusionary housing" and "inclusionary zoning" are interchangeable, and I opt for the more widely used inclusionary zoning descriptor.

² This provision also applies to single-family dwellings that were built before 1979 with current tenants that moved in prior to 1996.

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Lead Photograph

Downtown, Los Angeles. This photo is part of a series entitled One Santa Fe that explores a new housing and commercial development in the Downtown Los Angeles Arts District. Located across from the Sci-Arc Campus, an architecture school, on its eastern edge, One Santa Fe is not the first development in the neighborhood but could represent the type of developments to come in the near future. For those that know the area, coming upon this building is a jolt as its scale and design are inconsistent with the existing character of the neighborhood. Photograph by Lucy Seena K Lin