Chamber Position Statement
Item 7.1 Adoption of a Rental Housing Dispute Resolution Program
Binding Arbitration/Mandatory Mediation
Mountain View City Council
March 15, 2016

The City Council and Chamber of Commerce exist to foster, maintain and enhance the vibrancy and diversity that make our city so special. What is threatening this objective is a crisis of displacement; not just of residents, but for non-profit institutions and our local businesses.

After thorough consideration and debate by our membership and board we, the Chamber, must oppose moving forward with binding arbitration or mandatory mediation. Neither of these provide a solution, nor deal directly with the root cause of displacement experienced by our residents, non-profit organizations or our business community.

The Chamber commends the City Council for their approval of significant housing into the development pipeline, as we see development as the key part of the solution. We recommend an alternative path to the resolution being considered. We believe a targeted effort to expedite the development pipeline for both residential and commercial projects will increase supply and mediate demand, thus stabilizing prices.

It is vitally important that any action taken as a city recognizes the **unintended consequences**. Such as:

1. Rent controlled buildings fall into disrepair as owners are disincentivized from properly maintaining their buildings. Consider the **Pruitt-Igoe** urban housing project in St. Louis from the mid-1950s, where the development became infamous for poverty, segregation and crime and living conditions began to decline within the first 2 years of occupation.

As any rent control/stabilization ordinance would be applied only to buildings constructed before 1995, we need to take into account the real costs of building maintenance and ensure that we are not creating situations where we are segregating our community. We suggest that all new housing development includes low income, moderate and market rate housing, rather than developing separate low income housing projects.

2. Rents that increase out of line with real world market; ie: owners will increase rents to the set limit year over year because they are limited to a set rate, without any provision for decreases. See the Business Journal article about the San Jose Rent Control study: the report found median rents from 1990 to 2015 for rent-regulated units rose **21%** while Non rent-controlled units only rose **13%**.

3. Increase in development costs have a significant impact on the compression we are experiencing. As development costs increase, reasonable rental rates often don’t pencil out. The City can help alleviate this problem by taking a comprehensive look at development costs that are imposed on developers and determine the true impact this has on the future face of our city.

There are several other constraints being placed on our Mountain View businesses as they strive to succeed in our local economy. In addition to development costs raising office space rental rates, our businesses are experiencing other changes impacting their financial stability and business models, some as a direct result of decisions City Council has made and others as a result of regional, state or federal legislation or construction:

- the recent and significant increases in minimum wage over the next few years
- increases in insurance premiums
- parking in lieu fees
- required upgrades (transitional and facade)
- grade separation construction for Caltrain
- proposed transit / transportation taxes

Taking into account all of these factors, as well as the reduction of parking in downtown due to construction over the next 24 months, which will negatively affect revenues, Mountain View businesses and non-profit organizations are already finding doing business in Mountain View challenging and as a result, we have seen a number of our members move out of Mountain View in order to **survive**.

To close we recommend cautious, considered action be taken to provide comprehensive solutions so individuals, landlords, non-profits and businesses have the best opportunity to survive.

Thank you!

REFERENCES

Pruitt Igoe: https://en.wikipedia.org/wiki/Pruitt%E2%80%93Igoe
Low Income Housing

San Jose's Report on the 1979 Rent Control ordinace cast doubt on the program's effectiveness: http://www.bizjournals.com/sanjose/news/2016/02/03/san-jose-rentcontrol-study-casts-doubt-on-programs.html

> The report finds that while median rents for rent-regulated units are lower than those at market-rate buildings, they have actually risen faster, on a percentage and absolute basis, for those covered by the ordinance than their market-rate counterparts. The report found that from 1990 to 2014, median rents for rent-regulated units rose from $1,190 per month to $1,445 in adjusted dollars, a 21 percent increase. Non rent-controlled units rose from $1,392 per unit to $1,573 in 2014 in adjusted dollars, a 13 percent increase.
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> Stricter Rent Control will have negative consequences for the market, such as killing investment in building upkeep, and could put mom-and-pop property owners under.

California Civil Code, sections 1954.50 aka Costa-Hawkins: It prohibits rent stabilization (i.e. rent control) on any multi-unit built after February 1, 1995. It also prohibits rent stabilization on all single family homes and individually owned condos. This exemption is meant to promote development, not to promote token reclassification without a positive net effect on the residential housing supply.