

SENATE JUDICIARY COMMITTEE
Senator Thomas Umberg, Chair
2023-2024 Regular Session

AB 2278 (Wendy Carrillo)
Version: March 21, 2024
Hearing Date: June 11, 2024
Fiscal: Yes
Urgency: No
ME

SUBJECT

Rent increases: percentage change in the cost of living: Department of Housing and
Community Development

DIGEST

This bill requires the Attorney General to, by July 1 of each year, publish on their website, the maximum rent increase that is allowable under the Tenant Protection Act for each metropolitan area.

EXECUTIVE SUMMARY

The Legislature passed the Tenant Protection Act (TPA) in 2019 in an effort to halt exorbitant rent increases. (AB 1482 (Chiu, Ch. 597, Stats. 2019).) The TPA was strengthened last year when the Legislature passed SB 567 (Durazo, Ch. 290, Stats. 2023) which, among other things, added enforcement mechanisms for the violation of the TPA's restrictions on residential rent increases.

The TPA bases the allowable rent increases on a formula relying on consumer price index (CPI) data calculated annually by the US Bureau of Labor Statistics or California's Department of Industrial Relations. The maximum allowable increase is calculated by adding 5% to the current or prior year CPI increase for the applicable sub-region, up to a maximum of 10%, whichever is lower, and rounded to the nearest one-tenth of 1%.

For rent increases that take effect on or after August 1 of any calendar year, the percentage change is calculated using the amount published for April of that calendar year and April of the immediately preceding calendar year. For rent increases that take effect before August 1 of any calendar year, the calculation uses the amount published for April of the immediately preceding calendar year and April of the year before that. Even though CPI information is public, it could be confusing for a landlord or tenant to calculate the maximum rent increase because they must find the information regarding their sub-region and calculate from there. In an effort to provide tenants and landlords accurate information regarding allowable rent increases so that they may comply with

the law, this bill requires the Attorney General to post the maximum allowable rent increase for each metropolitan area by July 1 of each year.

This bill is sponsored by the California Rental Housing Association. The Committee has not received timely opposition.

PROPOSED CHANGES TO THE LAW

Existing law, the Tenant Protection Act (TPA), until January 1, 2030, prohibits an owner of residential real property from, over the course of any 12-month period, increasing the gross rental rate for a dwelling or a unit more than 5% plus the percentage change in the cost of living, or 10%, whichever is lower, of the lowest gross rental rate charged for that dwelling or unit at any time during the 12 months before the effective date of the increase, subject to specified conditions. Existing law defines “percentage change in the cost of living” as the percentage change in the applicable Consumer Price Index for All Urban Consumers for All Items, as specified.

This bill requires the Attorney General to post the maximum allowable rent increase for each metropolitan area by July 1 of each year.

COMMENTS

1. Author statement

The author writes the following in support of the bill:

AB 2278 strengthens previous legislation, AB 1482 (Chiu), which prohibits owners from increasing a tenant’s rent by more than 5% plus inflation or 10%, whichever is lower. Yet no agency is required to stipulate that figure, confusing tenants and property owners who must calculate it themselves. AB 2278 requires the Attorney General to publish the maximum rent increase.

This bill is about more than just numbers on a website; it is about ensuring every Californian has access to the information they need to protect their homes. It is about giving tenants the tools to negotiate confidently against unlawful rent increases while providing property owners with clear guidelines to help them comply with the law.

2. The bill aims to provide public accurate information so tenants and landlords can accurately calculate allowable rent increases pursuant to the TPA

The TPA bases the allowable rent increases on a formula relying on consumer price index (CPI) data calculated annually by the US Bureau of Labor Statistics or California’s Department of Industrial Relations. The maximum allowable increase is calculated by adding 5% to the current or prior year CPI increase for the applicable sub-region, up to

a maximum of 10%, whichever is lower, and rounded to the nearest one-tenth of 1%. For rent increases that take effect on or after August 1 of any calendar year, the percentage change is calculated using the amount published for April of that calendar year and April of the immediately preceding calendar year. For rent increases that take effect before August 1 of any calendar year, the calculation uses the amount published for April of the immediately preceding calendar year and April of the year before that. Even though CPI information is public, it could be confusing for a landlord or tenant to calculate the maximum rent increase because they must find the information regarding their sub-region and calculate from there. In an effort to provide tenants and landlords accurate information regarding allowable rent increases so that they may comply with the law and enforce the law, this bill requires the Attorney General to post the maximum allowable rent increase for each metropolitan area by July 1 of each year.

The California Rental Housing Association, the sponsor of AB 2278, writes the following:

AB 2278 expands on previous legislation, AB 1482 (Chiu), which prohibits owners from increasing a tenant's rent by more than 5% plus inflation, or 10%, whichever is lower. Yet, no agency is required to stipulate that figure, causing confusion for property owners. [. . .]

"Assemblywoman Wendy Carrillo's AB 2278 is a simple, straightforward fix to a glaring issue. It would provide property owners with clear thresholds on maximum allowable rent, maintaining the viability of keeping rent at a fair, equitable cost for Californians," said Earle Vaughan, CalRHA President. "This bill would directly impact numerous rental housing associations and property owners across the state and support them with defined guidelines enabling safe and fair practices."

According to the previous legislation, AB 1482, "the percentage change in the cost of living" is defined by the percentage change from April 1 of the prior year to April 1 of the current year in the regional Consumer Price Index for the region where the residential real property is located, as published by the United States Bureau of Labor Statistics. Using this method, property owners are able to service tenants with visibility and clarity on rental payments. AB 2278 will clarify this process, ensuring full transparency for all parties involved

The Western Center on Law and Poverty writes the following in support of AB 2278:

As an original co-sponsor of the TPA, we believe that requiring public posting of the maximum rent increase allowed under the TPA is critical for tenants to protect themselves against illegal rent increases. While general CPI data is publicly available, it is difficult for tenants to understand the maximum allowable increase for their region without performing complicated calculations. This can be more difficult for tenants with limited English

proficiency or those without access to technology. The lack of easily accessible information causes unnecessary confusion for tenants. By requiring the AG to post the maximum allowable increase by each region, this will give tenants some tools to advocate for themselves.

SUPPORT

California Rental Housing Association (sponsor)
American Federation of State, County, and Municipal Employees, CA, AFL-CIO
City of Alameda
Southern California Rental Housing Association
Western Center on Law and Poverty

OPPOSITION

None received

RELATED LEGISLATION

Pending Legislation: None known.

Prior Legislation:

SB 479 (Durazo, Ch. 8, Stats 2024) corrected an unintended drafting error in SB 567 (Durazo, Ch. 290, Stats. 2023) regarding the definition of “natural person” in the owner move-in provisions of the no-fault just cause eviction portion of the Tenant Protection Act of 2019 (Act).

SB 567 (Durazo, Ch. 290, Stats. 2023) made a series of revisions to statewide protections against eviction without just cause and provided enforcement mechanisms for the violation of statewide restrictions on residential rent increases and statewide protections against no fault evictions.

AB 1482 (Chiu, Ch. 597, Stats. 2019) limited rent-gouging in California by placing an upper limit on annual rent increases. The bill also required that a landlord have and state a just cause, as specified, in order to evict tenants who have occupied the premises for a year. Both the rent cap and the just cause provisions are subject to specified exemptions. The bill did not preempt any local rent control ordinances.

PRIOR VOTES:

Assembly Floor (Ayes 72, Noes 0)
Assembly Appropriations Committee (Ayes 14, Noes 0)
Assembly Housing and Community Development Committee (Ayes 9, Noes 0)
