

The End of Rent Control in California Begins in Santa Cruz

By George Drysdale

In February of 2007 the Santa Cruz Property Rights Initiative was filed pointing out that not only were the rents price fixed (rent control) on mobile home spaces but that the purchase price of the land bought by the tenants was price fixed as well. The Aptos Knolls Mobile Home Park with 13 acres of prime developable land was “purchased” by the tenants for \$3.9 million dollars, about one tenth of the fair market price and then set aside for 55 years at that very low tax rate for “affordable” housing. A 740 square foot 47 year old mobile home with a view sold for \$477,000 in Capitola because of rent control and the fact that local government made it impossible to move the land into development. Rent controls have existed throughout history but acquiring the land itself at a price-fixed rate is unique. The renters and local politicians “constituent service” had done this to 19 mobile home parks with about 130 acres being basically taken off the tax rolls. This is essentially the future of development in growth controlled Santa Cruz. Depreciated \$10,000 mobile homes on average were selling for around \$300,000 in Aptos because of rent controls.

It was decided to bring this to the attention of the Santa Cruz Association of Realtors in June of 2007. When they received the notice of intent of the Santa Cruz Property Rights Initiative describing what was going on, all of about 20 pending sales of mobile homes were cancelled right out of escrow. Since then, no mobile homes have been sold by real estate agents in Santa Cruz. The lender won't put out loans on mobile homes. A market crash.

Rent controls always end. It is well known that rent controls are bad. In fact, this appears in the first chapter of just about any basic economic textbook. In 2002 in a preemptive initiative against the city council in Huntington Beach, voters decided against rent controls on mobile home parks by 64.7% of the vote. With this scandal in Santa Cruz showing how bad price-fixing the primary factor of production (land), I think sooner than later rent control can be driven out of California where rent controls almost uniquely exist (44 other states have made them illegal).

What is needed is an initiative to save the remaining 50 acres of mobile home park land in unincorporated Santa Cruz which hasn't been “purchased” by the tenants as “resident owned” mobile home parks. Sending mailings to collect signatures from house and condo owners is the way to qualify for a special election and via the mailings, the scandal will become known. Attack the weak point of rent controls in California (Santa Cruz). From there, initiatives should be mailed to other communities to end rent controls because of rent control's destructive nature in the development of new housing. It's cheap to do; it costs only about sixty cents for each mailing. The final version of the Santa Cruz Property Rights Initiative should cost about \$30,000 to implement. I believe the apartment house owners should chip in about \$10,000 for the special election.

If you are interested, contact George Drysdale, initiator of the Santa Cruz Property Rights Initiative at geodry@pacbell.net or (650) 592-7559 and discuss what we can accomplish together.