



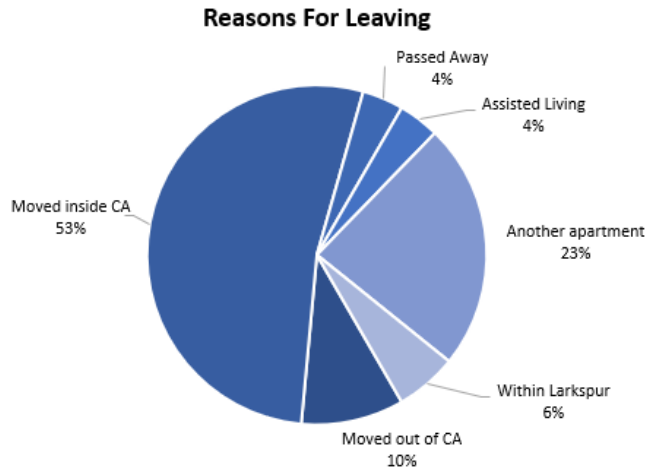
March 3, 2023

Larkspur City Council
400 Magnolia Ave.
Larkspur, CA 94939

RE: Rent Stabilization

Greenbrae Management Inc. (GMI), a 70 year running minority owned local business, on behalf of the various landlords whose buildings we manage, encourages the city council to **vote ‘NO’ on the proposed City Rent Control Program and any additional eviction constraints beyond AB1482.** Our internal analysis, third party analysis, and past experience suggests we would be forced to increase the annual rent to the maximum allowed under the program to safeguard against the unknown costs increases caused by any number of reasons. This practice would ensure we as managers are doing our primary job in protecting the assets of the various ownership groups.

With a **~99% occupancy rate and reasonable rents,** there is no statistical evidence that suggests there is a displacement problem at our residential properties.¹ When a tenant leaves our apartments, we collect data on ‘why they left.’ Not one of the departing tenants cited pricing issues.



From a cost perspective, the effects of inflation are felt even more on the landlord side. Despite embarking on one of the city’s largest reconstruction programs, 2022 had increases in building materials and repair costs above the national average, in some cases increases north of 30%. Our insurance program increased 33% due to the California fires even though we have not had any recent claims. We have also been warned of an increase in the next year as many carriers exit the market. The cost of climate change is still an unknown as well. Health Insurance for our employees increases by more than the proposed rent cap every year. As the council is well aware the utilities have significantly increased in the last few months. Lastly the cost of funds continues to increase with no relief on the horizon.

Several national and local studies have shown that a rent control board in fact have the opposite effect, with no other options landlords drive prices to the maximum, and ultimately displace tenants. Property valuations drop, resulting in less tax revenue for the municipal government. Additional studies support rental assistance programs at the impacted properties are more

¹ Optimal Occupancy rates for multi-family residential units are 95-97%, anything higher indicates below market pricing



effective in treating the symptoms.² In Marin County there are already several 3rd party organizations that offer this support including St. Vincent DePaul, Community Action, and St. Sebastian's. An additional consequence of rent control, most recently seen in Fairfax, is where landlords faced with rent control, remove their property from the market via the Ellis Act to protect their investment. If rent control is implemented in the City of Larkspur, the invocation of the Ellis Act by larger landlords would remove the very housing inventory the city is trying to create.

While higher regulation has benefited larger banks, national landlords and chain stores, it has been a burden for the smaller family-owned local entities of all types. It seems that we are headed into a time of great economic uncertainty, and it would not be in the City's best interest to adopt aggressive mandates which have proven costly to its current tenant base—rent increases that would be significantly higher than GMI has ever recommended before.

We believe the state mandate, while imperfect, currently provides fairness to tenants and landlords alike without adding an administrative burden and expense to the City of Larkspur.

Sincerely,

Greenbrae Management Inc.

² *The Welfare Effects of Eviction and Homelessness Policies* - Abramson