



ELLIS ACT REFORM: HOLDING PERIOD

AB 2050 | ASSEMBLYMEMBER ALEX LEE

THIS BILL

AB 2050 seeks to stop speculator evictions by requiring five years of ownership before the Ellis Act can be invoked in any jurisdiction with rent control.

BACKGROUND

The Ellis Act was originally passed (SB 505, 1985) to protect small “mom and pop” landlords who could no longer tend to their rental property and allows property owners the opportunity to get out of the rental housing business without selling their property. When the Ellis Act passed, it was expected it would not be used very often since few landlords intend to keep their buildings vacant. For over a decade after the Ellis Act’s passage, it was rarely used.

However, a series of court decisions vastly expanded the Act’s reach. Instead of requiring units to sit vacant, courts held that owners could convert the rental units to ownership. This led to speculators buying rent-controlled buildings and then “going out of the rental housing business” soon after to sell these units to the highest bidder. This has resulted in long-term tenants being evicted and the permanent removal of affordable rental units.

Studies show that a majority of Ellis Act evictions are done by developers who have owned the property less than a year and 78% taking place within five years; indicating that these developers had no intent of being in the rental business in the first place.

PROBLEM

Protecting and preserving affordable housing stock – particularly rent-controlled units – is essential to keeping people housed and addressing California’s housing crisis.

Since 2001, over [27,600](#) units in Los Angeles have been taken off the rental market using the Ellis Act. The loss of these rent-controlled units have displaced over 60,000 Los Angeles residents. In the Bay Area, over [5,400](#) households in San Francisco have been forced out of their homes, while in Berkeley, [457](#) units have been take off

the rental market. During fiscal year 2019-20 alone, [10](#) units have been withdrawn in San Jose using the Ellis Act.

The vast majority of these evictions, [78%](#), occur within 5 years of the owner purchasing the property, while [51%](#) occur within the first year. This is due to speculator developers often purchasing property to then “go out of the rental business” immediately after. The Ellis Act has become a major loophole for speculator developers to destroy California’s rent-controlled housing for a profit.

Investor groups, corporations, and other profit-driven entities buying buildings and emptying them, and even outbidding families trying to buy homes, has been devastating for renters and low-income families in California.

The Ellis Act has resulted in the loss of tens of thousands of affordable rent control units and the displacement of tenants throughout California. Targeted tenants of Ellis evictions tend to be long-term, elderly, and disabled individuals — some of the most vulnerable tenants in California.

SOLUTION

AB 2050 would prohibit a property owner from removing a building from the market pursuant to the Ellis Act in rent control jurisdictions, unless all owners in the property have held their ownership interest for at least five years.

This bill would put an end to the speculator evictions loophole, while exempting small ‘mom and pop’ landlords, who may qualify for an exemption if they meet all of the following:

1. Operate the property under their name as a natural person
 - OR manage the property with a LLC in which there is no more than four members and all members are natural persons
 - OR they hold the title to the property as a trustee in which all beneficiaries are natural persons

2. Natural person(s) are the sole beneficial owners of the property, with the exception of a person who holds title to the property as a trustee
3. Natural person(s) who own the property each directly or indirectly own four or fewer residential units in the aggregate, not including the owner's principal place of residence including those who operate a Limited Liability Company (LLC) to conduct rental business

SUPPORT

Tenderloin Housing Clinic (Co-Sponsor)
Coalition for Economic Survival (Co-Sponsor)

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