



Assemblymember Alex Lee

AB 854 – Ellis Act

THIS BILL

AB 854 seeks to stop speculator evictions by requiring five years of ownership before the Ellis Act can be invoked. The Ellis Act allows a property owner to get out of the rental business and evict all tenants from the rental property, notwithstanding any local rent control laws.

PROBLEM

Since 2001, over 27,000 units in Los Angeles have been taken off the rental market using the Ellis Act. The loss of these rent-controlled units has 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, 450 units have been taken off the rental market. During FY 2019-2020 alone, 10 units have been withdrawn in San Jose using the Ellis Act.

The vast majority of these evictions occur within 5 years of the owner purchasing the property, as speculator developers will often purchase the property and “go out of business” immediately after. The Ellis Act has become a major loophole for speculator developers to destroy California’s rent-controlled housing for a profit. With California’s major housing crisis afoot, it is more important than ever to protect our stock of rent-controlled housing and keep tenants housed.

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. The Ellis Act was originally passed in 1985 to allow “mom and pop” 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 buildings and then “going out of the rental housing business” soon after. Eviction notices to long-term tenants and the permanent removal of affordable rental units followed. Studies show that many Ellis Act evictions are done by developers who have owned the property less than a year; indicating that these developers had no intent of being in the rental business in the first place.

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.

The pandemic and statewide COVID eviction protections have not put an end to these cruel evictions. Reports show that there are currently 250 individuals facing an Ellis Act eviction in San Francisco and 145 evictions have taken place in Santa Clara County during the pandemic. Since the Ellis Act has not been included in the COVID-19 eviction moratorium, California has been seeing increases in Ellis evictions across the State. The Ellis Act has become a major loophole to evict tenants in the middle of the pandemic.

SOLUTION

AB 854 would prohibit a rental housing owner from removing a building from the market pursuant to the Ellis Act (Act) unless all owners in the property have held their ownership interest for at least five years. This bill would put an end to speculator evictions loophole.

SUPPORT

Tenderloin Housing Clinic (Cosponsor)
Coalition for Economic Survival (Cosponsor)