

June 15, 2023

The Honorable Matt Haney
California State Assembly
1021 O Street, Suite
Sacramento, CA 95814

**RE: AB 12 (Haney) Tenancy: security deposits.
City of Palo Alto – Notice of Support**

Dear Assembly Member Haney,

On behalf of the City of Palo Alto and Council majority, I write in support of your AB 12, which limits the amount of a security deposit a landlord can collect for a rental property to no more than one month's rent. As a community that is home to many students and renters, the City believes this bill is good public policy that will work to reduce the cost of living burdens on those who cannot afford to expend thousands of dollars to rent property.

Studies have shown that the median rent in California has far outpaced renter household income. Because the security deposit amount is anchored to the monthly rental amount, security deposit amounts have likewise seen a significant increase over the same period of time. California established its current security deposit limit, of two months' rent for unfurnished apartments, in 1977. (AB 94 (Rosenthal), Chapter 971, Statutes of 1977.) Since then, the cost of renting housing has skyrocketed to an average rental rate of \$1,700 for a one-bedroom apartment.

Security deposits are designed to assist landlords in making any necessary repairs over the cost of a rental period. However, given the exorbitant range of modern rental costs, allowing a security deposit limit of two months' rent would likely significantly exceed the actual amount they would need to expend on making necessary repairs. Ultimately, the burden of paying a security deposit in excess of one month's rent in addition to the first month's prepayment is a barrier to accessing stable housing. For a one-bedroom apartment aligned with the current average rental rate of \$1,700 per month, this means that many renters are faced with a \$5,100 up front cost in order to enter the rental market – an amount that few Californians have in hard cash.

A staggering 53% of California renters are unable to get their needed apartment due to the inability to afford the security deposit. As a result, many families have to choose between acquiring more debt to afford their security deposit or not being approved for their much-needed housing. AB 12 makes a commonsense change to policy that reduces barriers to housing while still balancing the need for security deposits.

For these reasons, the City of Palo Alto is pleased to support your AB 12.

Sincerely,

A handwritten signature in blue ink, appearing to read "Lydia Kou", with a small horizontal line underneath the name.

Lydia Kou
Mayor
City of Palo Alto