

**Knock-Out:**

**The Impact of Ellis Act Evictions on Los Angeles Average Two-Bedroom Apartment Rent  
(2014-2020)**

Steven Osorio

Pomona College

Department of Economics

ECON 190: Senior Seminar in Economics

Professor Smith

Spring 2022

## I. Introduction

On September 15, 2019, dozens of disgruntled tenants and members of the Vermont-Beverly (“VyBe”) Los Angeles Tenants Union marched from Echo Park Lake to Los Angeles City Councilmember Mitch O’Farrell and California State Assemblymember Wendy Carrillo’s offices.<sup>1</sup> Sporting picket signs and bright-red regalia adorned with tenant union symbology, the group was determined to accomplish three goals by the end of the day: implicate the two politicians for neglecting low-income tenants due to monied interest, publicly speak on behalf of thousands of at-risk tenants, and (most importantly) advocate for the repeal of the Ellis Act. Although the group sulkily trotted back to Echo Park due to the two’s offices refusing to speak to them, the attempt is among the hundreds of anti-Ellis Act demonstrations that occupied California’s major cities during the 2010s.

California Government Chapter 12.75 Subsection 7060.4 is one of the most controversial eviction laws in the United States. Colloquially known as the Ellis Act after Republican State Senator Robert Ellis, the 1985 California-exclusive law essentially equips landlords with the privilege of evicting tenants within three months if the property will no longer be available in the rental market.<sup>2</sup> The landlord’s decision supersedes the authority of local governments and rental associations, thereby enabling landlords to exit the rental market despite government pleas to continue providing rental housing. Landlords are able to convert the property to anything they can legally desire ranging from permanent residency to condominium conversion, to Airbnb

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<sup>1</sup> Erin Hickey Pinheiro, Chris Springer, and Bonnie Brown. “Activists Call for Ellis Act Repeal at Echo Park Protest,” *Los Feliz Ledger*, September 20, 2019.

<https://www.losfelizledger.com/activists-call-for-ellis-act-repeal-at-echo-park-protest/>.

<sup>2</sup> State of California. “Government Code 7060.” *Residential Real Property Government Codes*, 1985.

rental units, and more. However, they need not specify their specific intent when they submit their request.

The Ellis Act is among the 17 legally-recognized eviction ordinances that a Californian landlord could file. It is considered a “no-fault” eviction (as opposed to an “at-fault” eviction) as the eviction was not prompted by dangerous or illegal actions of the tenant, rather than the financial or personal motivation of the landlord.<sup>3</sup> Below is a list of the other 16 legal evictions, their fault status, and general description:<sup>4</sup>

**Table 1: Types of Evictions**

Eviction Type	At-Fault?	Definition
Access Denial	Yes	Tenant continuously refused access to critical maintenance work.
Breach	Yes	Tenant violated stipulations outlined in the agreement but were not severe enough to press charges.
Capital Improvement	No	Non-dilapidated property undergoes upgrades taking a long period of time.
Condo Conversion	No	Landlord decides to explicitly convert the property to a personal or rentable condominium.
Demolition	No	Property is scheduled for demolition.
Failure To Sign Renewal	Yes	Tenant fails to sign a renewal agreement.
End of Good Samaritan Status (Good Samaritan End)	No	Tenant and the landlord of the replacement unit agree to

<sup>3</sup> State of California. “Government Code 1946.” *Residential Real Property Government Codes*, 1872.

<sup>4</sup> Brian J. Asquith and Shane M. Reed. "Rent Control in California: Policy Review," *Upjohn Institute for Employment Research*, 2021.

		commence temporary occupancy in a rent-controlled rental unit following a qualifying emergency; eviction occurs when the agreement expires.
Illegal Use	Yes	Tenant is found committing illegal acts within the housing unit.
Late Payments	Yes	Tenant established a history of not paying at the agreed-upon rent collection date.
Lead Remediation	No	Building must be vacated to remove traces of lead within its internal structure.
Non-Payment	Yes	Tenant failed to pay for their housing unit.
Nuisance	Yes	Tenant has committed various acts of “breaking the peace” including, but not limited to: excessive loudness, bad odor spillover, liquid spillover, and more.
Owner Move In	No	Landlord permanently moves into the property.
Substantial Rehabilitation	No	Dilapidated property undergoes upgrades taking long periods of time.
Unapproved Subtenant	Yes	Tenant is found housing another individual for more than two weeks without the consent of the landlord.
Roommates Same Unit	Yes	One roommate is found committing something illegal without the other’s involvement.

Despite California's diverse array of eviction types, the Ellis Act has been particularly scorned by Los Angeles equitable housing advocates due to an increase in invocations in recent years. More than 5,000 successful Ellis Act evictions were conducted between 1985 and 2000,

however more than 10,000 were conducted between 2001 and 2016.<sup>5</sup> Concerns about the Ellis Act's effects on encouraging demographic shifts *vis-a-vis* lowering the housing stock and increasing rents have been shared by advocacy groups such as VyBe well into 2022.

This paper gauges whether concerns regarding the Ellis Act's impact on increasing Los Angeles' rent is statistically and economically significant. I will conduct a robust ordinary least squares (OLS) regression that measures the relationship between average two-bedroom apartment rent and completed evictions within 68 ZIP code areas between January 2014 and January 2020. The starting and ending dates were specifically chosen due to a combination of available data and the extraordinary fluctuations in the real estate market due to the 2020 COVID-19 pandemic's rent moratoriums preventing evictions of any kind to be invoked. General population and poverty population changes will be controlled. I hypothesize that the Ellis Act and no-fault evictions will produce statistically insignificant results relative to at-fault evictions due to the lack of significant changes that would make a neighborhood more peaceful and valuable.

## **II. Literature Review**

Research of the Ellis Act's effects on rental prices is scant. However, public policy analysts, social justice activists, and legal scholars have focused on other aspects of the act and other California evictions. The latest study on the Ellis Act was conducted by legal researcher Erin McElroy of KCET, the research-oriented wing of the Public Broadcasting Service, in January 2021.<sup>6</sup> The report documented the frequency of successful Los Angeles Ellis Act eviction applications since 2001 and concluded that recent year-after-year increases may be related to an influx of Northern Californian skilled professionals seeking to purchase apartments

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<sup>5</sup> Erin McElroy. "Mapping Ellis Act Evictions Throughout California," *KCET*, January 19, 2021.

<sup>6</sup> McElroy, "Mapping Ellis Act Evictions."

and homes in Southern California, thus incentivizing rental property owners to sell their properties in as little time as possible.

In 2018, McElroy and social activist Manissa Maharawal coordinated a study that examined the multitude of efforts to combat Ellis Act evictions by San Francisco tenant unions between 2011 and 2013.<sup>7</sup> They found that the number of protests reacts congruently with the frequency of Ellis Act evictions in all of San Francisco's 36 neighborhoods; they also found that nearly every Ellis Act protest was motivated by low-income rental tenants being "priced out" (i.e. the inability to pay increased rent).

The earliest relevant work regarding the Ellis Act is a Master's thesis composed by public policy student Austin Szabo in 2017.<sup>8</sup> The study's objective was to determine whether there is a statistically significant relationship between Airbnb demand (listings) and Ellis Act evictions across 126 Greater Los Angeles Zip Codes in 2016. To ensure that his estimator was unbiased, he controlled for population, poverty levels, and unemployment rates across each Zip Code. His results demonstrated a positive statistically significant relationship between Airbnb demand and Ellis Act evictions, signifying that Airbnb demand has played a role in increasing the frequency of Ellis Act applications. Szabo did not consider rental price reactions as a result of Ellis Act evictions, therefore leaving that area of study open.

### **III. Data**

Three main data sources were used to collect information on 68 ZIP code areas. Data regarding average monthly two-bedroom apartment rental prices was provided by Zillow Research, the open-data arm of online real-estate marketplace company Zillow. The Los Angeles

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<sup>7</sup> Manissa M. Maharawal and Erin McElroy. "The Anti-Eviction Mapping Project: Counter Mapping and Oral History Toward Bay Area Housing Justice," *Annals of the American Association of Geographers* 108, no. 2 (2018): 380-389.

<sup>8</sup> Austin R. Szabo. *Measuring the Potential Impact of Airbnb Activity on Ellis Act Eviction Rates in Los Angeles*. Masters Thesis, Georgetown University, 2017.

Housing Authority and the West Hollywood Association of Renters provided me with spreadsheets detailing the monthly frequency of all 17 successful eviction types (including the Ellis Act) arranged by ZIP code. For individual cases with multiple eviction claims, both organizations recorded only the most pertinent one as determined by the landlord. Lastly, the American Communities Survey (a subsidiary of the United States Census) provided five-year sample data detailing the total population and total number of impoverished citizens within each ZIP code area. The latter determines “impoverished citizens” if an individual’s annual income falls below the poverty income threshold designated by the state at the time of the survey period.

#### IV. Empirical Framework

One robust regression containing 18 independent variables will be conducted. Below is a table describing all the model’s variables:

**Table 2: Dependent and Independent Variables**

Dependent Variable		
Variable	Name	Interpretation
$twobedroomrent_{i,t}$	Monthly Two-Bedroom Apartment Rent	Changes in average two-bedroom apartment rental prices within ZIP code ( $i$ ) over a monthly time period ( $m$ ).
Independent Variables		
Variable	Name	Interpretation
$accessdenial_{i,t}$	Number of Access Denial evictions in a ZIP code area within a certain month.	Estimates monthly rental price changes on two-bedroom apartments following successful Access Denial evictions.
$breach_{i,t}$	Number of Breach evictions in a ZIP code area within a certain month.	Estimates monthly rental price changes on two-bedroom apartments following successful Breach evictions.

capitalimprovement <sub>i,t</sub>	Number of Capital Improvement evictions in a ZIP code area within a certain month.	Estimates monthly rental price changes on two-bedroom apartments following successful Capital Improvement evictions.
condoconversion <sub>i,t</sub>	Number of Condo Conversion evictions in a ZIP code area within a certain month.	Estimates monthly rental price changes on two-bedroom apartments following successful Condo Conversion evictions.
demolition <sub>i,t</sub>	Number of Demolition evictions in a ZIP code area within a certain month.	Estimates monthly rental price changes on two-bedroom apartments following successful Demolition evictions.
ellisact <sub>i,t</sub>	Number of Ellis Act evictions in a ZIP code area within a certain month.	Estimates monthly rental price changes on two-bedroom apartments following successful Ellis Act evictions.
failuresign <sub>i,t</sub>	Number of Failure to Sign evictions in a ZIP code area within a certain month.	Estimates monthly rental price changes on two-bedroom apartments following successful Failure to Sign evictions.
goodsamaritanend <sub>i,t</sub>	Number of Good Samaritan End evictions in a ZIP code area within a certain month.	Estimates monthly rental price changes on two-bedroom apartments following successful Good Samaritan End evictions.
illegaluse <sub>i,t</sub>	Number of Illegal Use evictions in a ZIP code area within a certain month.	Estimates monthly rental price changes on two-bedroom apartments following successful Illegal Use evictions.
latepayment <sub>i,t</sub>	Number of Late Payment evictions in a ZIP code area within a certain month.	Estimates monthly rental price changes on two-bedroom apartments following successful Late Payment evictions.
leadremediation <sub>i,t</sub>	Number of Lead Remediation evictions in a ZIP code area within a certain month.	Estimates monthly rental price changes on two-bedroom apartments following successful Lead Remediation evictions.
nonpayment <sub>i,t</sub>	Number of Non-Payment evictions in a ZIP code area within a certain month.	Estimates monthly rental price changes on two-bedroom apartments following successful Non-Payment evictions.
nuisance <sub>i,t</sub>	Number of Nuisance evictions in	Estimates monthly rental price

	a ZIP code area within a certain month.	changes on two-bedroom apartments following successful Nuisance evictions.
$ownermovein_{i,t}$	Number of Owner Move In evictions in a ZIP code area within a certain month.	Estimates monthly rental price changes on two-bedroom apartments following successful Owner Move In evictions.
$substantialrehab_{i,t}$	Number of Substantial Rehabilitation evictions in a ZIP code area within a certain month.	Estimates monthly rental price changes on two-bedroom apartments following successful Substantial Rehabilitation evictions.
$unapprovedroommate_{i,t}$	Number of Unapproved Roommate evictions in a ZIP code area within a certain month.	Estimates monthly rental price changes on two-bedroom apartments following successful Unapproved Roommate evictions.
$unapprovedsubtenant_{i,t}$	Number of Unapproved Subtenant evictions in a ZIP code area within a certain month.	Estimates monthly rental price changes on two-bedroom apartments following successful Unapproved Subtenant evictions.
$genpop_{i,t}$	ZIP Code area total population beginning in January 2014 and ending in January 2020.	Estimates monthly rental price changes on two-bedroom apartments following ZIP code area total population changes.
$povpop_{i,t}$	ZIP Code area total impoverished population beginning in January 2014 and ending in January 2020.	Estimates monthly rental price changes on two-bedroom apartments following ZIP code area poverty population changes.

The dependent variable is the average rental price of a two-bedroom apartment unit and the independent variables consist of every type of legal eviction and general population and poverty population fixed effects ( $genpop$ ,  $povpop$ ) for every ZIP code area. The error term is expressed as  $u$ ; robust estimation was used to ensure that variable outliers are excluded from the survey and homoscedasticity was also ensured.

## V. Results

<b>Linear Regression</b>						
Two Bedroom Apartment Rental Price	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]
Access Denial	-25.554	25.106	-1.02	.309	-74.774	23.666
Breach	11.980	8.100	1.48	.139	-3.900	27.860
Capital Improvement	-11.170	13.634	-0.82	.413	-37.899	15.559
Condo Conversion	39.716	41.794	0.95	.342	-42.218	121.651
Demolition	10.403	10.056	1.03	.301	-9.311	30.118
Ellis Act	63.124	26.732	2.36	.018	10.717	115.532
Failure to Sign Renewal	48.772	21.777	2.24	.025	6.079	91.465
Good Samaritan End	26.081	33.245	0.78	.433	-39.093	91.255
Illegal Use	98.485	47.063	2.09	.036	6.221	190.750
Late Payments	274.150	48.712	5.63	.000	178.652	369.648
Lead Remediation	66.184	44.197	1.50	.134	-20.463	152.830
Non-Payment	70.360	23.883	2.95	.003	23.540	117.181
Nuisance	54.460	20.918	2.60	.009	13.450	95.469
Owner Move-In	-4.379	17.617	-0.25	.804	-38.917	30.159
Roommates Same Unit	-39.982	19.639	-2.04	.042	-78.484	-1.480
Substantial Rehabilitation	70.916	34.455	2.06	.004	3.369	138.463
Unapproved Subtenant	36.058	26.706	1.35	.177	-16.299	88.415
Population	-.001	.001	-0.87	.384	-.003	.001
Poverty Rate	-.004	.008	-0.52	.604	-.019	.011
Constant	2234.99	27.291	81.90	.000	2181.488	2288.492
Mean dependent var		2446.967	SD dependent var			1155.255
R-squared		0.075	Number of obs			4891
F-test		6.272	Prob > F			0.000
Akaike crit. (AIC)		82518.952	Bayesian crit. (BIC)			82648.855

\*\*\*  $p < .01$ , \*\*  $p < .05$ , \*  $p < .1$

The table above demonstrates that not only is the Ellis Act a positive and statistically significant variable at the 5% p-level, but most at-fault evictions are as well. All coefficients are estimates of the dollar effect on the average monthly rent charged for two-bedroom apartments. Generating a coefficient of 63.12, the model estimates that for every Ellis Act eviction in a ZIP code area, average two-bedroom monthly rent within a ZIP code area increases by \$63.12. Other statistically significant at-fault evictions that generated positive results below \$100 include non-payments (\$70.36), nuisance (\$54.46), illegal use (\$98.48), and failure to sign renewal contracts (\$48.72); however, late payment evictions produced \$274.15, the most significant result. It is worth noting that no other non-fault evictions nor changes in general and poverty populations have produced similar effects on average monthly rent. Considering that Los Angeles' average monthly rent for two-bedroom apartments was nearly \$2,700 in early 2020 (and increasing toward \$3,000 as of 2022), these six evictions' results could partially explain the city's high price level.<sup>9</sup>

The robust model's ability to explain variances within two-bedroom prices was also measured. An adjusted R-squared value was produced to deduce how much the model's explanatory variables account for the dependent variable's behavior. Equalling .075, the model's set of variables explains 7.5% of the variation within Los Angeles' average two-bedroom rental prices. Although the model's fixed effects and the abundance of eviction variables ultimately demonstrated a weak correlation, this may indicate that other unaccounted variables may explain the changes in prices. However, the high F-value and F probability solidly confirms that the model's statistically significant evictions explain some changes in average two-bedroom rental prices.

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<sup>9</sup> RentCafe. "Los Angeles, CA Rental Market Trends," RentCafe, last modified April 2022, <https://www.rentcafe.com/average-rent-market-trends/us/ca/los-angeles/>.

## VI. Conclusion

The model disproved my original hypothesis and may lend credence to activist claims of the Ellis Act's contribution toward increasing rental prices throughout Los Angeles. The motivating presupposition was that the Ellis Act (along with other no-fault evictions) had no impact on monthly two-bedroom apartment rent price changes; however, the linear regression model yielded a positive correlation between Ellis Act evictions and monthly rent. Despite every other non-fault eviction resulting in statistical insignificance, the Ellis Act diverged from its peers to accommodate itself within the ranks of statistically significant at-fault evictions. The Ellis Act's results are also consistent with Szabo (2017) and McElroy's (2021) findings of the act's contribution toward rising living costs throughout Los Angeles' metropolitan area in recent years. Although the act may not be invoked as frequently or cause egregious price hikes relative to other evictions, increased invocations, and rising rental costs may lend credence to claims perpetuated by VyBe and other Los Angeles low-income tenant social justice groups.

However, the model is not without its limitations. Firstly, measuring real estate rental prices is notoriously difficult to precisely measure due to the multitude of influential extraneous and endogenous property-related variables. Although the model's array of explanatory variables explained a small portion (7.5%) of two-bedroom rental price variation, additional variables ranging from differing ZIP code-specific public infrastructure investments to structural property upgrades could've explained a greater portion. Secondly, the study does not take into account changes in housing stock following Ellis Act evictions. Although California law stipulates that landlords could turn the property into anything other than a rental investment vehicle, properties that were sold to new entities are eligible to be "re-rented" five years after the transfer of deed.<sup>10</sup>

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<sup>10</sup> Lee Stimmel. "Ellis Act: State Law Restricting Change in Use of Rental Property," Law Offices of Stimmel, Stimmel, & Roesser, May 8, 2021.

Therefore, it's not certain whether evictions lead to higher rents or higher rents lead to evictions. Since the study is between January 2014 and January 2020, renovated properties that re-entered the rental market may have exerted an unknown influence on ZIP code area two-bedroom apartment rental prices. It is also worth noting the model's broad analysis of evictions within ZIP codes instead of individual addresses due to the lack of detailed data; if the opportunity arises in the future, real estate scholars are encouraged to re-evaluate the paper's findings via an address-wide difference-in-difference study.

Despite the model's limitations, there is evidence that positions the Ellis Act as an attractive subject for activist and scholarly scrutiny. An estimated \$63.12 increase in two-bedroom rental prices for every successful Ellis Act eviction within a ZIP code area is concerning for low-income tenants already enduring other types of rental increases in their areas; especially in an era where Ellis Act-related evictions are becoming more frequent. However, temporary respites have been offered. For example, the ethical and economic ramifications of evictions have become a focal point of socio-economic justice campaigns amidst the ongoing COVID-19 pandemic. The 2020-2021 nationwide eviction moratorium inspired low-income tenant unions across California's major cities to conduct marches in support of abolishing allegedly speculative and marginalizing eviction laws such as the Ellis Act before the moratorium's expiration date.<sup>11</sup> As of writing, no legislation remotely close to their visions has passed California's House of Representatives. However, scholar-activist coalitions such as the Anti-Eviction Mapping Map Project are actively tracking the frequency and effects of Los

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<https://www.stimmel-law.com/en/articles/ellis-act-state-law-restricting-change-use-rental-property>.

<sup>11</sup> Thomas K. Pendergast. "Ellis Act Protesters Blast Real Estate Speculators as Tenants Face Eviction," SfbayCa, November 16, 2021.

<https://sfbayca.com/2021/11/16/ellis-act-eviction-protest-19th-street/>.

Angeles' at-fault and no-fault evictions to advocate for pro-tenant public policies.<sup>12</sup> Time will tell whether the Ellis Act will remain a California staple.

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<sup>12</sup> Unknown. "About the Anti-Eviction Mapping Project (AEMP)," Anti-Eviction Mapping Project, 2021. <https://antievictionmap.com/about-the-aemp>.

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