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What Happens to Residents Evicted under California's Ellis Act?

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POLICY BRIEF

What Happens to Residents Evicted under California's Ellis Act?

Brian J. Asquith

BRIEF HIGHLIGHTS

- *California's Ellis Act, which allows landlords to withdraw buildings from the rental market by evicting all their tenants, has led to over 30,000 household evictions in San Francisco and Los Angeles since 1994.*
- *I examine how being "Ellis'd" affects tenants' subsequent neighborhood income mobility compared to that of similar nonevicted tenants.*
- *Ellis'd tenants are more likely to move each year for at least the next 12 years, suggesting greater residential instability.*
- *They are also more likely to live in lower-income neighborhoods than the control group, and this gap grows over time: 12 years post eviction, evictees live in neighborhoods with 3.1 percent lower median household income.*
- *Moreover, Ellis'd tenants live in neighborhoods with lower potential adult incomes for the children who grow up there, implying that Ellis'd children may fare worse in the very long run.*
- *Whites and Hispanics seem to fare especially poorly, and black families seem to struggle to find neighborhoods that offer better income effects for both adults and children.*

For additional details, see the full working paper at https://research.upjohn.org/up_workingpapers/22-374.

Thirty-seven years after its enactment, the Ellis Act continues to generate controversy and conflict in California politics. The Ellis Act empowers landlords to withdraw their housing units from the rental market—and consequently evict all of the building's tenants—even as California faces an intense housing shortage. One estimate is that over 32,000 tenants have been evicted from their apartments under the Ellis Act in San Francisco and Los Angeles alone since 1994 (Schneider 2022). In spite of its infamous reputation, few studies have examined its general impacts, and none has focused on how tenants fare after being evicted. In this policy brief, I highlight findings from my new working paper, "The Effects of an Ellis Act Eviction on Neighborhood Socioeconomic Status," which investigates whether "Ellis'd" tenants move to neighborhoods with higher or lower socioeconomic status after the eviction.

My study finds that Ellis Act evictees move into poorer neighborhoods compared to the control group of non-Ellis-evictees, and the gap between the two groups only grows over time. A similar pattern emerges when I look at neighborhood Opportunity Atlas income, which measures the average predicted income at age 35 for children who grow up in a given neighborhood. This implies that Ellis'd children may make less money as adults than non-Ellis'd children. My results thus confirm that policymakers are right to be concerned about the fate of Ellis evictees.

I also look at outcomes by race. Whites and Hispanics experience downward neighborhood income mobility similar to the sample average, but because whites initially have the highest neighborhood median household incomes—as well as children's predicted adult incomes—the overall negative on them impact is less severe. Evicted Asians and Pacific Islanders initially move into better neighborhoods by both measures, but eventually the neighborhood income measures of the evicted and the nonevicted converge, suggesting their Ellis Act effect is largely transitory. Evicted black adults experience persistent upward neighborhood income mobility, but the neighborhoods in which they eventually locate nonetheless have poorer predicted incomes for their children.

The Origin of the Ellis Act

The Ellis Act's roots lie in the wave of rent control ordinances that many California cities passed in the high-inflation period of the late 1970s. In response to a court case regarding the rights landlords had to circumvent rent controls (*Nash v. City of Santa Monica 1984*), the California legislature enshrined into law a landlord's right to withdraw their units from the housing market, with the provision that landlords could evict all their tenants to do so. Under the Ellis Act and its later amendments, local municipalities cannot outlaw Ellis Act evictions, but they are allowed to regulate them via notice requirements, relocation payments, and other restrictions.

How to Measure Ellis Evictions

While municipal policymakers cannot ban Ellis Act evictions, policymakers would benefit from more information on how evictees fare. For example, are Ellis Act evictees

Ellis Act evictees end up living in poorer neighborhoods than comparable nonevictees, and the gap between the two groups grows over time.

able to stay in the area thanks to the relocation assistance? Are they able to find housing in neighborhoods comparable to their original one?

To answer these questions, I start by using Ellis evictions from San Francisco and Los Angeles spanning 2000–2007, and define my sample as people who were living in a rent-controlled apartment with five or more units in either city in 1999. I study how people fare after being Ellis'd by using individual address histories from Infutor Data Systems, a proprietary dataset that uses a mix of private and public sources to longitudinally track U.S. residents' migration histories. I focus on buildings with five or more units because landlords of large buildings are unlikely to be using the Ellis Act to target individual tenants. This ensures that I am better measuring the impact of the "true" intent of the Ellis Act—a landlord's right to withdraw all units regardless of whether individual tenants are in compliance with the lease—instead of capturing small landlords using the Ellis Act to target one or two tenants they cannot get rid of by other means. The 2000–2007 period coincides with a large wave of these evictions, covering 651 buildings and 11,470 people I was able to link from the Infutor histories to the affected buildings. I compare these individuals to a control group of San Francisco and Los Angeles residents who in 1999 were living in buildings with at least five unites and who were *not* Ellis'd during the 1999–2007 time period; this amounts to 36,258 buildings and 907,465 individuals identifiable in Infutor.

While the Infutor data measures individual address histories reasonably well, it unfortunately lacks comparably good data on income and employment. I thus use neighborhood of residence (as captured by 2010 Census tracts) as a proxy for how adults fared after being Ellis'd. For example, if the evicted group's average neighborhood-level income is higher than the nonevicted group's some years later, the average evictee was probably able to live in a better-off location, perhaps with the money they saved by having had rent control. Municipal policymakers might then conclude that existing evictee assistance programs are working satisfactorily. Conversely, if the evicted group's average neighborhood-level income is lower, it would imply that tenants undergo downward neighborhood income mobility as they seek rents comparable to those they were paying for their old apartments.

The Impact of Ellis Evictions

My first finding is that people who were Ellis'd become substantially more likely to move during a given year than nonevicted individuals, even up to 12 years later. This is not equivalent to finding that the Ellis Act increases homelessness, but it confirms that the evictees experience greater residential turnover than those who were not evicted.

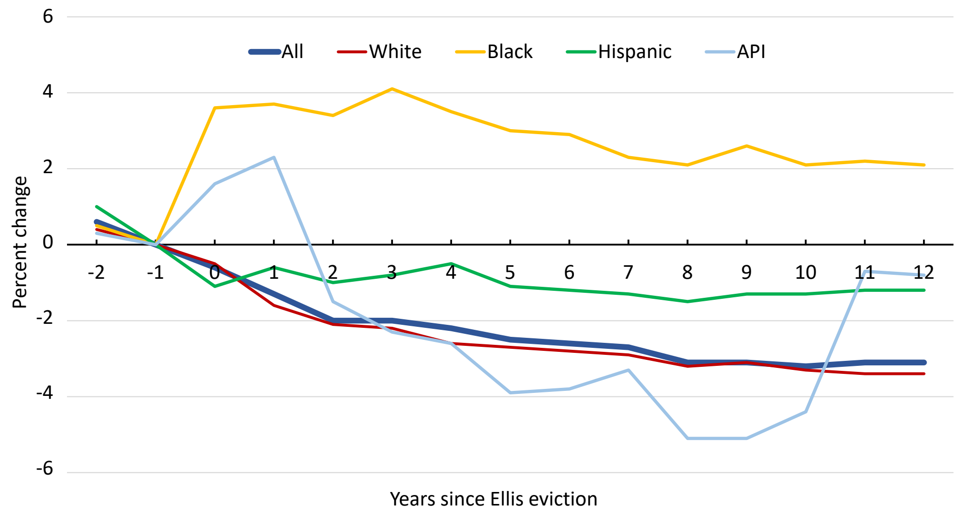
When I next look at changes in average neighborhood income, I find strong evidence that Ellis Act evictees not only wound up living in lower-income neighborhoods than their nonevicted peers immediately after their eviction, but also that this discrepancy grew over time. Figure 1 plots the Ellis treatment effect starting from 2 years before the eviction ($t = -2$) to 12 years afterward ($t = 12$), first for the whole sample and then separately by race. These treatment effects can be interpreted as the percentage difference between the median household income in the neighborhoods where evictees live relative to that where nonevictees live.

The thick blue line shows the results for the whole sample. The percentage difference in neighborhood incomes between the two groups was very small (and not statistically different) 2 years prior to eviction, but a gap emerges at the eviction year ($t = 0$) and then grows such that, 12 years posteviction, the Ellis'd group on average live in neighborhoods with 3.1 percent lower median household income than the nonevicted.

Beneath these headline findings, there are interesting differences in the results by race. Ellis Act evictions clearly leave affected whites and Hispanics living in poorer neighborhoods than their nonevicted peers even 12 years later. Asians and Pacific Islanders, as well as blacks, show a different pattern, however. Evicted members of the former group initially move into neighborhoods with 2 percent *higher* median household income than their nonevicted peers, but this then quickly reverses, so that by 9 years out

Evicted whites and Hispanics experience downward neighborhood income mobility similar to the sample average, but because whites initially have the highest neighborhood median household incomes—as well as children's predicted adult incomes—the overall negative impact on them is less severe.

Figure 1 How Ellis Act Evictions Affect the Median Household Income of Former Tenants' Subsequent Neighborhoods



NOTE: The lines show estimates, for each racial group, of how an Ellis Act eviction affects the median household income of the neighborhoods in which former tenants subsequently reside, by years since the eviction occurred. For example, the dark blue line shows that the median household income of the neighborhood in which an evicted person resides, two years after the Ellis eviction, is 2 percent less than the neighborhood of the building from which they were evicted.

SOURCE: Ellis Act evictions from Los Angeles and San Francisco, Infutor Data Systems, and author's calculations.

evicted Asians and Pacific Islanders are living in neighborhoods with 5 percent lower median household income than the nonevicted. Even more interestingly, this gap then disappears after 11 years, so that the average neighborhood income of the two groups is about equal. The most likely explanation is that the Ellis Act prompts Asians and Pacific Islanders to move into the better-income neighborhoods that they were planning to move to anyway, perhaps a little earlier than intended, but in the long run the nonevicted catch up.

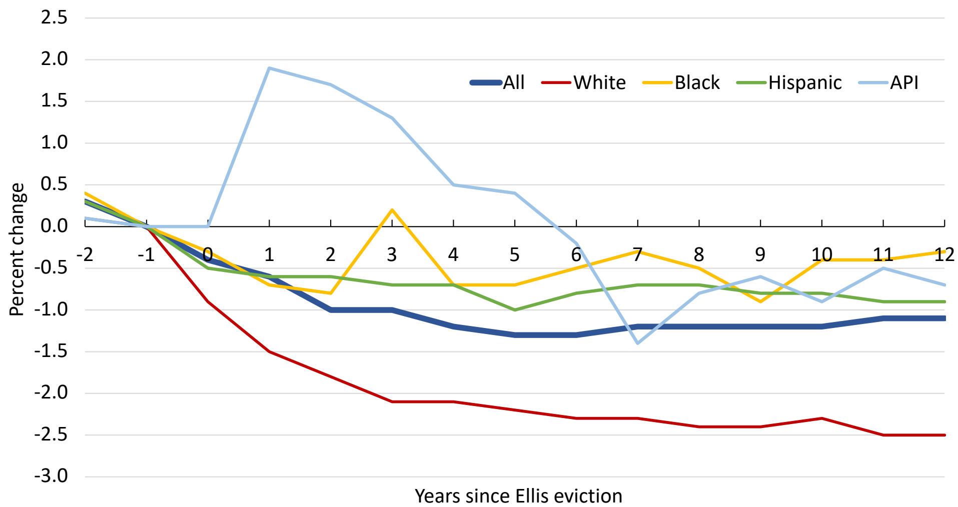
In contrast, evicted blacks appear to move into higher-income neighborhoods, and this effect persists (although weakly) through the end of the study period. Blacks are the smallest subgroup in the sample, so these results are somewhat imprecise, but the most likely explanation is that blacks are more likely than other groups to relocate out of the San Francisco and Los Angeles areas entirely, meaning that they may have been able to successfully translate their savings from having had rent control into upward mobility.

What about the impact of the Ellis Act on kids? While the Infutor data does not track children's address histories, one can proxy for how an Ellis eviction may have affected children by looking at a measure called the Opportunity Atlas (OA) income. The OA income measure was created by Chetty et al. (2020) and uses tax data to estimate for each 2010 Census tract the average income by age 35 of the children who grew up there (regardless of where they later live), both overall and by race. Thus, it may be that some adults move to neighborhoods with lower median household incomes but higher OA incomes. Think, for example, of certain immigrant or ethnic enclaves where the adults are a bit poorer than average because most are English second-language speakers, but the children go on to outperform their native peers.

Figure 2 shows the results for OA income. Like the results for average neighborhood median household income, the average OA income among evictees persistently declines relative to that of nonevictees, so that 12 years after eviction there is a gap of 1 percent between the two. The same pattern holds for whites (more strongly) and Hispanics (less strongly). Opportunity Atlas incomes for evicted Asians and Pacific Islanders initially rise relative to their nonevicted peers, as they did for neighborhood median household

Evicted black adults experience upward neighborhood income mobility, but the neighborhoods in which they eventually locate have poorer predicted incomes for their children.

Figure 2 How Ellis Act Evictions Affect the Opportunity Atlas Income of Former Tenants' Subsequent Neighborhoods



NOTE: The lines show estimates, for each racial group, of how an Ellis Act eviction affects the Opportunity Atlas income of the neighborhoods in which former tenants subsequently reside, by years since the eviction occurred. The Opportunity Atlas Income measures the average predicted adult income (at age 35) for children who grow up in a given neighborhood, regardless of where they live as adults.

SOURCE: Ellis Act evictions from Los Angeles and San Francisco, Infutor Data Systems, Opportunity Atlas, and author's calculations.

income, but this difference then shrinks to a statistical zero after five years. This pattern reinforces the finding that an Ellis eviction accelerates the upward mobility trajectories of Asians and Pacific Islanders but doesn't permanently change them, as the nonevicted eventually catch up when they (voluntarily) begin their own moving out process from their rent-controlled apartments.

Lastly, evicted blacks' average OA incomes are little different than those of their nonevicted peers, which is striking because adult neighborhood incomes are *higher* for the evicted. This should raise concerns about why black evictees were apparently unable to translate their gains from rent control (if that is what allowed the adults to move to better neighborhoods) into better outcomes for their children.

Conclusion

Current Ellis Act assistance programs do not seem to prevent tenants from experiencing downward neighborhood mobility: the average evictee 12 years afterward is living in a neighborhood with 3.1 percent lower household income and 1 percent lower predicted adult income for the children who grow up there than the nonevictees. These negative effects are most heavily concentrated among whites and Hispanics, but whites are likely less harmed because they start off in significantly better-off neighborhoods. Black evictees move to neighborhoods with higher adult incomes but slightly lower predicted adult outcomes for children.

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