

For Racial Equity & Social Justice, Pass HOME Act -- Don't Pass Pro-Rent Gouging Bill 15-23

Testimony from Community Vision for Takoma

Community Vision for Takoma, a grassroots informal network reaching more than 1,000 residents and neighbors of Takoma Park, supports the HOME Act (Bill 16-23) and opposes Bill 15-23, which could backfire and weaken, not strengthen, Montgomery County's commitment to racial equity and housing justice. As residents of Takoma Park, we know whereof we speak.

In Takoma Park, rent stabilization over the last few decades has contributed significantly to the stability and resilient health of our City, as well as to our ongoing efforts to become a more equitable community. Rent stabilization has played a major role in our success in celebrating and preserving our racial diversity. It has enabled Takoma Park to be a welcoming place where hard-working immigrants from many lands can plant new roots to raise their children in a community with strong schools and good local services. And it has helped diverse residents come together to build a strong civic culture that values the continued presence and contributions of all.

In fact, rent stabilization has not just provided increased housing security for Takoma Park residents who rent, of whom a high proportion are residents of color, but has also promoted a broad sense of stability that contributes to the health of our small city community-wide.

As you deliberate, please recognize how the HOME Act can encourage the same kind of community-wide security across Montgomery County. We also suggest you consult with Councilmember Kate Stewart, our former Mayor, who can attest to how pivotal rent stabilization has been in stabilizing our community.

Similar to the provision in the HOME Act, landlords in Takoma Park are able to petition for special increases beyond a particular year's limit if they find themselves in circumstances that require such an increase to maintain the safe, quality housing that residents deserve, while making a fair return for their own businesses. Takoma Park's suite of housing policies to prioritize fair housing also includes grant assistance with downpayments for first-time home buyers who are income eligible, and the Tenant Opportunity to Purchase Law, which since 1986 has given tenants a right of first refusal when a landlord decides to sell.

Together, these policies have supported numerous residents, on their own or organizing with other tenants, to transition from renting to home ownership without moving. That means beginning to build the kind of generational financial stability that has historically been disproportionately available to white families. On paper, that success story may look like a "loss" of rental housing units, but in actuality, it's been a gain for the individuals involved and for our community as a whole.

And, no, Bill 15-23 is not a promising alternative. How could it be, when the proposed bill effectively provides the County's stamp of approval for increases of at least 8 per cent every year, as well as double-digit increases when inflation equals or exceeds 2 per cent? Only in an Orwellian farce would that be dubbed "Anti-Rent Gouging." If adopted, Bill 15-23 is likely to backfire, and actually push up the level of average rent increases.

And, in response to some skeptics' argument that rent stabilization has discouraged housing construction, we note that The Cloudburst Group, in its 2017 *Housing and Economic Development Analysis* for the City of Takoma Park, identified a very different reason for the relative low rate of new construction. In fact, one of its key findings was this: "Because Takoma Park is mostly built out, there is

little new residential construction.” Census data showing relatively high population density in Takoma Park supports this conclusion.

Please prioritize swift passage of the HOME Act as the fastest, most effective step the Council can take to increase stability of our community countywide and protect the constituents you represent who rent their homes from being forced by big rent increases to disrupt their families’ lives, their children’s schooling and social networks, and the shared fabric of community life by having to suddenly rush to find shelter elsewhere.

We have attached the Coalition for Nonprofit Housing and Economic Development’s very useful document, *Rent Control Myths*, which we urge you to study. The Coalition, citing research, persuasively shows why negative claims about rent-stabilization policies are just that – myths – that stand in the way of achieving true racial equity and social justice. Its report demonstrates, for example, that such policies “have no discernible impact” on the pace of housing construction and are not associated with poor housing quality; and that, in fact, rent regulation may offer renters the protection they need to insist upon repairs.

We also note this critical point in that document: “By maintaining affordability across tenants, rent control helps stretch limited funds for subsidized programs—that only reach a fraction of those who need it—much further.” So please don’t delay or reject the HOME Act on the flawed rationalization that perhaps the County can – or will – totally subsidize its way to racial equity and social justice in housing. Rent stabilization is the fastest, most effective step the Council can take to advance housing justice now.

The current national and local housing crisis is a social emergency. It’s time for the County government to act swiftly and decisively. That means passing the HOME Act and rejecting Bill 15-23.

Don’t let Montgomery County’s long struggle to inch toward racial equity and social justice retreat, on your watch. Don’t put the County’s official stamp of approval on rent increases of 8 percent plus inflation, placing us at risk for that high level eventually becoming the new normal.

Housing is shelter – a basic human need. In fact, as long ago as 1948, [the right to adequate housing](#) was recognized as a fundamental human right in the United Nations’ *Universal Declaration of Human Rights*. Being in the business of providing safe, quality shelter to others is, therefore, an honorable way to make a living. The HOME Act gives ample room for honorable landlords and responsible developers to make a good living. But it does so while protecting the basic right to adequate shelter for so many of your constituents who rent their homes -- by preventing displacements from Montgomery County caused by unreasonable and unpredictable increases in rent.

In closing, please take to heart the summary statements of your own Office of Legislative Oversight (OLO) as to the likelihood that only one of the two rent-related bills before you – the HOME Act -- could have a “moderate to large” positive impact on advancing our County’s most pressing social goals: Racial equity and social justice. In contrast, OLO’s meager expectation that the alternative, Bill 15-23, would have only a “small” positive impact, but will not protect the most vulnerable residents of color from being forced out of the County should be sufficient reason to drop the latter bill like a hot potato. In this time of racial and social reckoning, selecting “small” over “moderate to large” benefits, is not an option.

Please take a serious, fair, practical step toward real social progress: Adopt the HOME Act (Bill 16-23). All of the constituents you represent – whether we rent or own our homes – will benefit from that kind of strong leadership from you, because it will protect and expand the resilience and wellbeing of our entire community. Thank you for your consideration.



CNHED

Coalition for Nonprofit Housing and Economic Development

Rent Control Myths

Economists who oppose rent control tend to prioritize theoretical supply-and-demand models over the complexity of housing markets, the nuances of different rent regulations, and the important role that housing plays in people’s lives.¹ Further, many of the purported negative effects of rent control have been mitigated by tenant protections put into District laws during the decade 1975-1985, such as limitations on condominium conversions, the Tenant Opportunity to Purchase Act, and just cause eviction requirements, which make it harder for landlords to reduce supply. CNHED’s research found the following regarding some of the most pervasive myths propounded by rent control’s opponents:

- Rent control has no impact on housing construction. Conversions from rental housing to condominiums and other owner-occupied housing do occur but can be mitigated by closing regulatory loopholes and strengthening ordinances regulating conversions.
- Rent control does not lead to poor housing quality.
- Rent control provides a large stock of rental housing that is affordable for low- and moderate-income tenants and other communities vulnerable to displacement.
- The “trickle-down” or “filtering” theory that building more market-rate housing as the primary mechanism for providing affordable housing will neither ease the rent-burden of low- and moderate-income tenants, nor will it relieve the displacement pressures and housing instability that rent control is designed to alleviate.

Perhaps the biggest myth of all is that the current housing crisis has a singular solution. To solve the housing crisis, we must deploy every possible tool to ensure that housing is affordable. Rent control is unrivaled in its speed of implementation, scale, and cost-effectiveness.² Rent control regulations can take effect almost immediately, and because they apply to private rental housing, they operate at scale. In New York City, for example, twice as many low-income tenants live in rent-regulated units than in public and subsidized housing combined (365,000 vs. 182,000). In San Francisco, it is triple the amount (173,000 vs. 51,700).³ Further, rent control does not add direct costs to city, state, or federal budgets. By maintaining affordability across tenants, rent control helps stretch limited funds for subsidized programs—that only reach a fraction of those who need it—much further.⁴

¹ [Prasanna Rajasekaran, Mark Treskon, and Solomon Greene, “Rent Control: What Does the Research Tell Us about the Effectiveness of Local Action?” Urban Institute, Washington, DC, January 2019, 2.](#)

² [Amee Chew and Sarah Truehaft, “Our Homes, Our Future: How Rent Control Can Build Stable, Healthy Communities.” PolicyLink, Center for Popular Democracy, Right to the City Alliance, February 2019, 5-6.](#)

³ Chew and Truehaft, “Our Homes, Our Future,” 19.

⁴ [Amee Chew and Katie Goldstein, “Universal Rent Control Now,” Jacobin](#); Chew and Truehaft, “Our Homes, Our Future,” 20-21.

Myth 1: Rent control decreases housing supply.

The theory that rent regulation impedes housing supply rests primarily on two premises.⁵ First, it assumes rent control will discourage developers from building new housing. Second, it assumes rent control will restrict the stock of available rental housing by incentivizing landlords to move away from rental housing to ownership housing models (e.g., conversions to condominiums).

Reality: Rent control has no discernible impact on new housing construction. Conversions from rental housing to condominiums and other owner-occupied housing are a threat to rent control, but this impact can be mitigated by closing regulatory loopholes and strengthening ordinances regulating such conversions.

New Construction

Despite virtually all rent control regulations exempting new construction,⁶ some theorize that rent control will discourage housing construction anyway. As of 2019, five states (New York, New Jersey, California, Maryland and Oregon) and Washington, DC have cities or jurisdictions with some form of rent regulation. Three cities in Massachusetts also had rent regulations up until repeal in 1995. Over the last few decades, there have been several empirical studies examining the effect of rent control on housing supply—specifically new construction. While we did not conduct a formal literature review, we compiled key findings from studies conducted in specific states or localities where the impact of rent regulation on housing production was assessed.⁷

Massachusetts: In an analysis of housing supply after the repeal of rent control in three Massachusetts cities—Boston, Cambridge, and Brookline—a 2007 study found that the end of rent control had a negligible effect on the construction of new housing.⁸ In fact, this study found that multifamily building construction permits in these three cities reached their height in the mid to late 1980s—a time when rent stabilization policies were in full effect.

New Jersey: Multiple longitudinal studies comparing New Jersey municipalities with and without moderate rent control found no significant relationship between rent control and new housing construction.⁹ The most recent study covered four decades of rent control and over 10,000 tenants.

Washington, DC: The only study of rent control in the District of Columbia was published in 1990, and found no significant relationship between rent control and new housing construction.¹⁰ This study noted

⁵ [Prasanna Rajasekaran, “Will New Statewide Rent Control Laws Decrease Housing Supply?” Urban Institute blog, October 2, 2019.](#)

⁶ In the District, only buildings built before 1976 are covered under rent control so “new” effectively refers to the last 44 years.

⁷ Oregon’s rent control law was passed in February 2019, so no studies yet exist of its impact on housing supply. To our knowledge, no studies exist of New York’s impact on housing supply, either.

⁸ David Sims, “Out of Control: What Can We Learn from the End of Massachusetts Rent Control?” *Journal of Urban Economics* 61, 1 (2007): 141–142.

⁹ John I. Gilderbloom and Ye Lin, “Thirty Years of Rent Control: A Survey of New Jersey Cities,” *Journal of Urban Affairs* 29, 2 (2007): 213–214; Joshua Ambrosius, John Gilderbloom, William Steele, Wesley Meares, and Dennis Keating, “Forty Years of Rent Control: Reexamining New Jersey’s Moderate Local Policies after the Great Recession,” *Cities* 49 (2015): 128.

¹⁰ Margery Turner, “Housing Market Impacts of Rent Control: The Washington, D.C. Experience,” Washington, DC: Urban Institute, 1990, 84-94.

that new rental units were built in the District and other uncontrolled cities during the 1970s and 1980s, even when the rental stock nationwide was shrinking.¹¹

California: The Urban Displacement Project assessed housing production from 2007 to 2013, and found that the six cities with rent control in the Bay Area produced more housing units per capita than cities without rent control.¹² A comprehensive report by Berkeley’s Planning and Development Department considers the effect of rent control from 1978 to 1994 and concludes that “the best available evidence shows that rent control had little or no effect on the construction of new housing.”¹³

On balance, there is little evidence to support the theory that rent control decreases housing production. In fact, the evidence shows that overall market conditions and zoning have much more influence over new housing supply than rent control regulations.¹⁴ As such, cities and states should pair rent regulations and tenant protections with policies that facilitate new housing construction.¹⁵

Conversions from Rental Housing to Ownership Housing

There is some evidence to support the theory that rent control decreases the overall supply of rental housing by incentivizing landlords to convert rental units to condominiums and other forms of ownership housing. However, cities that saw an increase in condo conversions because of rent regulations did not have strong ordinances in place to limit these conversions, even though strong ordinances are commonly passed in conjunction with rent control regulations.¹⁶ The District passed the Condominium Act of 1976 and the Rental Housing Conversion and Sales Act of 1980 within the first several years of home rule. Rent control to regulate condominiums, require majority support from the property’s tenants for conversion, and prevent displacement of elderly tenants and tenants with a disability by allowing them to remain as renters after conversion. Before rent control was repealed in Massachusetts, cities included ordinances that made condo conversions cumbersome, including requiring that a rent control board approve conversions, giving tenants three years advance notice before conversion, and providing relocation assistance.¹⁷ In California, most local jurisdictions with rent stabilization regulate condo conversions for buildings of a certain size, capping the percentage of rental units that can be converted, requiring that tenants have the right of first refusal, or requiring significant

¹¹ Turner, “Housing Market Impacts,” 84-93.

¹² [Miriam Zuk, “Rent Control: The Key To Neighborhood Stabilization?” Urban Displacement Project, September 9, 2015.](#)

¹³ Planning & Development Department, “Rent Control in the City of Berkeley, 1978 to 1994: A Background Report,” City of Berkeley, May 27, 1998, 76.

¹⁴ Chew and Truehaft, “Our Homes,” 23; Manuel Pastor, Vanessa Carter, and Maya Abood, “Rent Matters: What are the Impacts of Rent Stabilization Measures?” USC Dornsife Program for Environmental and Regional Equity, Los Angeles, October 2018, 14; Nicole Montojo, Stephen Barton, and Eli Moore, “Opening the Door for Rent Control: Toward a Comprehensive Approach to Protecting California’s Renters,” Haas Institute for a Fair and Inclusive Society, Berkeley, CA, 2018; Leslie Gordon, “Strengthening Communities through Rent Control and Just-Cause Evictions: Case Studies from Berkeley, Santa Monica and Richmond,” Urban Habitat, Oakland, CA, January 2018, 8-9.

¹⁵ [Jenny Schuetz, “Is rent control making a comeback?” Brookings Institution, July 17, 2019.](#)

¹⁶ Montojo, Barton, Moore, “Opening the Door”, 28; Chew and Truehaft, “Our Homes”, 37; Rajasekaran, “Will New Statewide”; Karolina Gorska and Mitchell Crispell, “Condominium Conversion Policy Brief,” Urban Displacement Project, Berkeley, CA, February 2016, supra.

¹⁷ Sims, “Out of Control,” 131.

relocation assistance.¹⁸ New York’s recent rent reform allows conversion, but requires 51 percent of all current tenants to sign on to enable a non-evict conversion (as opposed to 15 percent previously).

A study of the 1994 expansion of rent control to small buildings in San Francisco found that landlords converted 15 percent of available rental housing to condominiums, cooperatives, and other types of nonrental property.¹⁹ However, the authors of this paper attribute all conversions to the expansion of rent control, but do not consider the loopholes in California’s rent control law that allowed conversions to happen in the first place—namely unsuccessful efforts to regulate “tenancies-in-common”—condo-like entities that skirt limits on conversions.²⁰

Studies conducted in Massachusetts show that rent control has the potential to prevent condo conversions under the proper regulatory framework. One study on Boston, Cambridge, and Brookline, Massachusetts compared the rental and ownership patterns before and after the statewide repeal of rent control in 1995. It found that while rent control had no effect on the quantity of housing units supplied, housing units in previously-controlled areas were more likely to become rental units after the repeal of rent control than units in areas that never had rent control.²¹ Another study focused just on Cambridge, Massachusetts found that the stock of condominiums increased 32 percent in the ten years following the repeal of rent control in Massachusetts at a time when the stock of residential houses decreased by 6 percent.²² Cambridge repealed a 1979 ordinance preventing the conversion of rental units to condominiums at the same time as it repealed rent control.²³ This suggests that the rate of conversion of rental housing to ownership housing in markets could be mitigated by strengthening ordinances preventing or regulating conversions.

Some economic theory contends that rent regulations may boost housing supply.

In opposition to conventional economic theory, some theorize that rent regulations can boost housing construction in “tight” rental markets (i.e., markets with low vacancy rates and rising rents where developers and landlords have market power).²⁴ If developers cannot generate extra profits through rent increases due to rent regulations, they may be incentivized to build more units. Some evidence from California shows this to be true. Analyzing new construction across the decades, a 1998 report on the effect of rent control in Berkeley, California shows that building permits hit their highest levels since 1971 in 1989—nine years after the passage of rent control.²⁵ Further, the three largest Bay Area cities with rent control (San Francisco, San Jose, and Oakland) and Los Angeles built far more multifamily rental units since 2000 than cities without rent regulations.²⁶ A former Berkeley Housing Director described another way in which this theory could pan out: in hot rental markets, if rent control and

¹⁸ Pastor, Abood, and Carter, “Rent Matters?” 15.

¹⁹ Diamond, McQuade, and Qian, “The Effects of Rent Control,” 3.

²⁰ [Dean Preston and Shanti Singh, “Dear Business School Professors: You’re Wrong, Rent Control Works,” Shelterforce, March 28, 2018.](#)

²¹ Sims, “Out of Control,” 142-143.

²² David Autor, Christopher Palmer, and Parag Pathak, “Housing Market Spillovers: Evidence from the End of Rent Control in Cambridge, MA,” *Journal of Political Economy* 122, 3 (2014): 671.

²³ Autor, Palmer and Pathak, “Housing Market Spillovers,” 668-670; Rajasekeran, Treskon, and Greene, “Rent Control,” 5-6

²⁴ [Gary Painter, “Op-Ed: No, rent control doesn’t always reduce the supply of housing,” Los Angeles Times, October 31, 2018.](#)

²⁵ Gordon, “Strengthening Communities,” 8-9; Planning & Development Department, “Rent Control in the City,” 74.

²⁶ Montojo, Barton, Moore, “Opening the Door,” 28.

other tenant protections allow tenants to stay in their homes, tenants that can afford market rate housing will both drive demand for new construction and perhaps even be able to afford rents high enough to make new construction pencil out.²⁷ This theory is largely untested, but presented here to challenge conventional wisdom that all markets react the same to regulation.

Myth 2: Rent control results in lower maintenance and poor housing conditions.

Basic economic theory predicts that landlords will defer maintenance on their properties, because they are receiving a lower return on investment under rent control.

Reality: There is no association between poor housing quality and rent control units.

Poor building quality and deferred maintenance does not result from rent control. It is true that much of the rental housing stock that is affordable for low- and moderate-income tenants suffers from deferred maintenance issues of varying degrees of severity. But this problem exists across the continuum of public and private rental housing, not just in units covered by rent control.

A comprehensive 1990 study of the rental housing market in the District found a positive relationship between rent control and building maintenance. The study found that the share of physically deficient units declined from 26 percent to 20 percent after the passage of rent control.²⁸ Moreover, units exempt from rent control had higher rates of deficiencies than those under rent control (25 percent versus 20 percent). In a survey of 3,600 unassisted renter households in the District, 80 percent said that building maintenance was as good or better than it had been in the absence of rent stabilization. In fact, low-income renters, especially, said rent regulation made them more willing to insist on repairs.²⁹

When assessing the impacts of rent control on building quality, it is important to distinguish between cosmetic improvements in a building's appearance and functional maintenance issues that decrease quality of life (e.g., plumbing, electrical failures, wiring shorts, etc.).³⁰ A study covering 1978-1987 in New York City found that landlords in rent-controlled buildings conducted maintenance, whereas other economic factors such as buyouts and vacancy decontrol induced landlords to renovate.³¹ A study of the abrupt repeal of rent control laws in Boston, Brookline, and Cambridge, Massachusetts shows that rent control had no significant effect on functional maintenance issues, but that units were less likely after repeal to experience "chronic aesthetic" problems (e.g., broken paint or plaster, holes in walls, and loose railings).³² Multiple studies indicate that landlords will defer maintenance on issues for which there are not significant consequences, suggesting that many quality issues could be mitigated by stricter enforcement of housing code violations, rewarding landlords who invest in and use a

²⁷ Pastor, Carter, and Abood, "Rent Matters?" 14.

²⁸ Turner, "Housing Market Impacts," 84-88.

²⁹ Turner, "Housing Market Impacts," 86; Chew and Truehaft, "Our Homes," 6, 23.

³⁰ Chew and Goldstein, "Universal Rent Control Now."

³¹ Choon-Geol Moon and Janet G. Stotsky. "The Effect of Rent Control on Housing Quality Change: A Longitudinal Analysis," *The Journal of Political Economy* 101, 6 (1993), 1114-1148. An earlier study using 1968 data in New York City found a negative relationship between rent control and building quality, however the buildings in the study were already in a state of disrepair when rent control was adopted, making it difficult to isolate the effects of rent control. Joseph Gyourko and Peter Linneman, "Rent Controls and Rental Housing Quality: A Note on the Effects of New York City's Old Controls," *Journal of Urban Economics* 27, 3 (1990), 398-409. See also Lisa Sturtevant, "The Impacts of Rent Control: A Research Review and Synthesis," National Multifamily Housing Council, Washington, DC, May 2018, 13-14.

³² Sims, "Out of Control," 143-146.

replacement reserve, or making rent increases contingent on maintaining units up to housing code standards.³³

Another means to assess whether rent control causes landlords to disinvest in property maintenance is to look at housing provider petitions, which landlords can file with the District government to request extraordinary rent increases on tenants beyond the allowable annual increase. There are four types of housing provider petitions in the District—hardship petitions, substantial rehabilitation petitions, capital improvement petitions, and services and facilities petitions. If rent control were the sole reason rents in distressed properties were constrained, there should be high usage of these petitions. However, the use of these petitions in the District has historically been low, suggesting that rent control is not the primary reason landlords defer maintenance.³⁴ For example, there have been only 105 hardship petitions filed in the District during fiscal years 2007-2019, an average of eight per year.³⁵

Myth 3: Rent control does not work well as an affordable housing program because it does not efficiently target low- and moderate-income tenants.

Some opponents claim that rent control is not an efficient mechanism for low-income tenants to access affordable housing.³⁶ They claim rent control hurts the poor, the elderly, and people of color, who are most in need of affordable rental housing, but are “locked out” of the rental market by tenants who occupy rent controlled units but are less in need of housing that is below market-rate.³⁷ They argue that housing vouchers, government subsidies, and Low Income Housing Tax Credits (LIHTC) are better mechanisms for creating more affordable housing options.³⁸

Reality: Rent control does result in a large stock of rental housing that is affordable for low- and moderate-income tenants and other communities vulnerable to displacement.

The private rental market has never produced enough housing to meet the needs of low-income tenants, and government subsidies have always been insufficient to fill the gap. Over the past several decades, government support for housing assistance has steadily decreased. Further, rents have continued to rise as wages have stagnated, resulting in the severe housing affordability crisis we face today.³⁹ Extremely-low-income renter households (those with incomes from 0-30 percent of Area Median Income) fare the worst; nationally, there are only 37 affordable rental units for every 100 extremely-low-income renters.⁴⁰ In the District, there is a shortage of over 30,000 rental homes for

³³ Rajasekeran, Treskon, and Greene, “Rent Control,” 5; Gilderbloom and Lin, “Thirty Years of Rent Control,” 209, 216; Sims, “Out of Control,” 144; Pastor, Carter, and Abood, “Rent Matters,” 11; Sturtevant, “The Impacts of Rent Control,” 12-14. Nandinee K. Kutty, “The Impact of Rent Control on Housing Maintenance: A Dynamic Analysis Incorporating European and North American Rent Regulations,” *Housing Studies* 11, 1 (1996), 69–88.

³⁴ Data collected by the Legal Aid Society of the District of Columbia and shared with CNHED. Turner, “Housing Market Impacts,” 93, also found low usage of housing provider petitions during the 1980s.

³⁵ Data compiled by the Legal Aid Society of the District of Columbia.

³⁶ Sturtevant, “The Impacts of Rent Control: A Research Review and Synthesis,” 8-10.

³⁷ Peter Dreier, “Rent Deregulation in California and Massachusetts: Politics, Policy, and Impacts,” Occidental College, Los Angeles, May 1997, 43-44.

³⁸ Sturtevant, “The Impacts of Rent Control,” 8; Diamond, McQuade, and Qian, “The Effects of Rent Control,” 30-31.

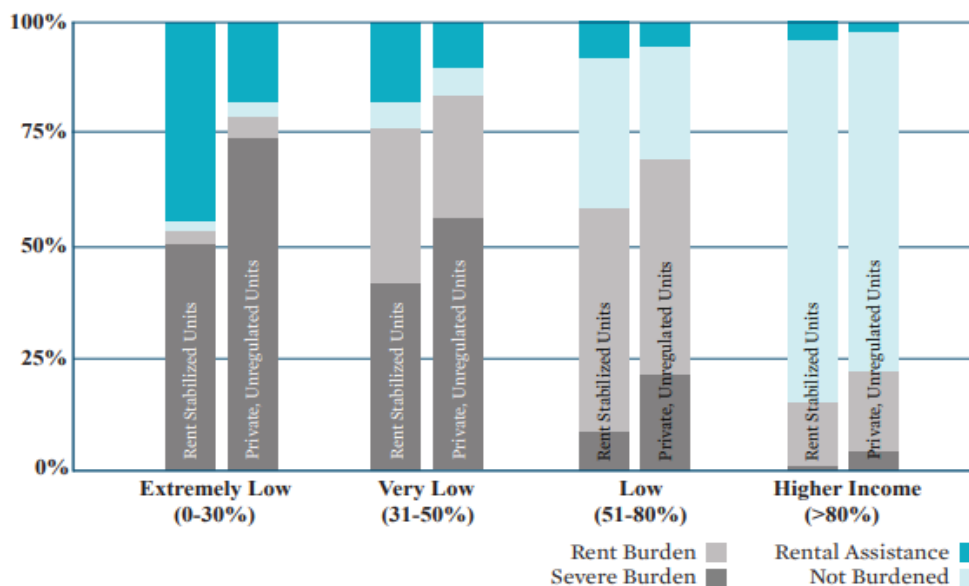
³⁹ Chew and Truehaft, “Our Homes,” 11.

⁴⁰ Andrew Aurand, Dan Emmanuel, and Diane Yentel, “The Gap: A Shortage of Affordable Homes,” National Low Income Housing Coalition, Washington, DC, March 2019, 3.

extremely-low-income renters.⁴¹ While rent control stabilizes housing costs for tenants, it does not use local and federal government assistance as subsidized affordable housing programs do.

Rent control’s direct, first-order effect is to lower rents overall. Research unequivocally shows that rent regulations decrease rent burdens for tenants.⁴² This reduced rent burden is especially true for low-income tenants. In New York City, low-income, rent-stabilized households are much less rent burdened than their market rate counterparts, especially among extremely-low-income households (Figure 1).⁴³ Extremely-low-income households are more likely to receive rental assistance, suggesting that rent stabilization complements rental assistance programs better than the private market does.⁴⁴

Figure 1: Rent Burden and Rental Assistance by HUD income Limits in New York City



Source: Waickman, Jerome, and Place, “Affordability of Rent Stabilized Units,” 4.

Several empirical studies have found that rent controlled units are disproportionately occupied by those with lower incomes than units that are not covered by rent control.⁴⁵ Several sources show that higher proportions of rent stabilized households in New York City are low income, elderly, and receive public assistance than unregulated households.⁴⁶ One estimate shows that if current rent control campaigns in six states (California, Colorado, Illinois, New York, Oregon, and Washington) and two cities (Philadelphia and Providence) succeed, 12.7 million tenant households will be stabilized, 75 percent of which are low- and moderate-income and most of which are housing cost-burdened (52 percent), meaning they pay

⁴¹ National Low Income Housing Coalition, “2019 District of Columbia Housing Profile,” February 2019.

⁴² Rajasekaran, Treskon, and Greene, “Rent Control,” 2; Pastor, Carter, and Abood, “Rent Matters?” 10-11; Oksana Mironova, “A Guide to Rent Regulation in New York City: How It Works, What Went Wrong, and How to Fix It,” Community Service Society, New York, January 2019, 18, 22.

⁴³ C. R. Waickman, J. B. R. Jerome, R. Place, “Affordability of Rent Stabilized Units,” New York City Department of Housing Preservation and Development, 2018.

⁴⁴ Waickman, Jerome, and Place, “Affordability of Rent Stabilized Units.”

⁴⁵ Pastor, Carter, and Abood, “Rent Matters?” 8-10.

⁴⁶ Waickman, Jerome, and Place, “Affordability of Rent Stabilized Units,” 1; NYU Furman Center, “Profile of Rent-Stabilized Units and Tenants in New York City,” June 2014, 7 (Table H and Table I).

more than 30 percent of their income on rent.⁴⁷ Anecdotes of extremely wealthy tenants benefitting from rent control are just that—anecdotes. Upper income tenants living in rent-controlled units are exceptions, not the rule.

Rent regulation also helps other vulnerable communities. New Jersey, California, New York City, and Cambridge, MA (before the repeal of rent control) all have had higher proportions of racial/ethnic minorities in rent stabilized units.⁴⁸ Further, rent control reaches immigrants who are otherwise not eligible for federal housing assistance.⁴⁹ It also disproportionately benefits households headed by women, who are more likely to be rent-burdened.⁵⁰

Subsidized housing programs can target low-income individuals with more precision, because housing vouchers and LIHTC are only available to tenants below certain income thresholds, and thus are more efficient at targeting low-income tenants. However, these programs are not meaningful alternatives to rent control, because the public and their elected representative have been unwilling to adequately fund them. Today, only one in five of the 22.3 million tenants in need of federal assistance receive it, a share that is slowly declining.⁵¹ In 2017 in the City of Los Angeles, for example, nearly 190,000 people applied for 20,000 available spots on the Section 8 waiting list—a list that had previously been closed for thirteen years.⁵²

Nationally, proposals to impose means testing requirements for rent control likely would lead to discrimination against low-income tenants and further erosion of rent control over time.⁵³ Income discrimination is already pervasive in many rental markets, as landlords are allowed to screen out tenants based on receiving housing assistance.⁵⁴ If means testing rent control resulted in a system that removed rent control from units with high-income households, then landlords would be incentivized to screen out low-income tenants. New York provides a case study of what can occur if units that exceed certain thresholds are deregulated. In New York's most recent wave of reforms, the city banned high-rent, high-income deregulation, which allowed rent-controlled units exceeding monthly rent of \$2,774.76 (as of January 1, 2019) to be removed from rent control if a tenant earned more than \$200,000 a year for two years in a row.⁵⁵ Similarly, under high-rent vacancy deregulation, landlords were allowed to deregulate vacant units when rents exceeded this threshold. Since 1994, when deregulation was first implemented, a total of 166,747 units have been lost (6,455 through high incomes and 160,292 through vacancy decontrol).⁵⁶

⁴⁷ Chew and Truehaft, "Our Homes," 19.

⁴⁸ Pastor, Carter, and Abood, "Rent Matters?" 19-21; Waickman, Jerome, and Place, "Affordability of Rent Stabilized Units," 1; Chew and Truehaft, "Our Homes," 12.

⁴⁹ Chew and Truehaft, "Our Homes," 21.

⁵⁰ Ibid.

⁵¹ Ibid, 14-15.

⁵² Pastor, Carter, and Abood, "Rent Matters?" 20.

⁵³ Montojo, Barton, Moore, "Opening the Door," 28.

⁵⁴ [Kriston Capps, "Why is it legal for landlords to refuse Section 8 renters?" CityLab, December 13, 2018.](#) While the District bans discrimination based on source of income, its Office of Human Rights is not adequately resourced to enforce this protection.

⁵⁵ [Sharon Otterman and Matthew Haag, "Rent Regulations in New York: How They'll Affect Tenants and Landlords," New York Times, June 12, 2019;](#) [New York City Rent Guidelines Board, "Changes to the Rent Stabilized Housing Stock in NYC in 2018," May 16, 2019, 6-7.](#)

⁵⁶ New York City Rent Guidelines Board, "Changes to the Rent Stabilized Housing Stock in NYC in 2018," 6-7.

[Myth 4: Expanding the supply of market rate housing will cause a “filtering” or “trickle down” effect that will result in an increase in units accessible to low- and moderate- income tenants.](#)

Some rent control opponents believe that instead of rent control, we should expand the supply of market rate housing so that rents for older units eventually will decrease. This process is known as “filtering”—when market rate housing “trickles down” and becomes more affordable over time as new units are added to the market.⁵⁷ This theory works as follows: building luxury apartments allows the wealthiest to move into the newest housing, and when supply eventually outstrips demand, this high-end housing will “filter” or “trickle down” to lower-income tenants.⁵⁸ The theory posits that rent control impedes the natural filtering that occurs in a market, because tenants in rent-controlled units may be disinclined to upgrade their units, even as their incomes increase.⁵⁹

[Reality: Building more market rate housing as the sole mechanism for providing affordable housing will not alleviate the rent-burden of low- and moderate-income tenants, nor will it relieve the displacement pressures and housing instability that rent control is designed to alleviate.](#)

While most cities and states need to produce new housing—especially affordable housing—rent control and access to affordable housing through filtering do not fill the same needs. For one, building more market-rate housing neither provides residential stability nor alleviates displacement for current tenants. A study on the relationship between housing production, filtering, and displacement shows that the production of market-rate and affordable housing both reduce displacement pressures at the regional level, though affordable housing (i.e. units built with LIHTC and other federal and state subsidies) has twice the impact of market-rate housing.⁶⁰ This means that for every subsidized unit built, we would need to produce two or more market-rate units to have the same reduction in displacement pressure.⁶¹ However, across the country, new housing construction is much more likely to be concentrated at the upper end despite increased need for affordable units.⁶² In 2016, only 19 percent of new rental units rented for less than \$850 per month (down from 42 percent in 2001), while 40 percent of newly built units rented for \$1,500 or more.⁶³

Further investigation done at the neighborhood level in San Francisco found that neither type of new housing construction—market-rate or affordable—relieved displacement pressures.⁶⁴ The finding that new housing construction may help relieve displacement at the regional level, but has little to no impact

⁵⁷ Miriam Zuk and Karen Chapple, “Housing Production, Filtering and Displacement: Untangling the Relationships,” Institute of Governmental Studies, UC Berkeley, May 2016, 3.

⁵⁸ [Miriam Axel-Lute, “Trickle Up Housing: Filtering Does Go Both Ways,” Shelterforce, November 2, 2017.](#)

⁵⁹ [Brian McCabe, “Rent control, explained,” Greater Greater Washington, September 13, 2016.](#)

⁶⁰ One reason affordable housing construction may relieve displacement pressures more than market-rate housing could be due to a sort of reverse filtering. When developers build affordable housing in a tight, high-cost market, it trickles up, not down. For example, extremely-low- and very-low-income tenant households (0-30 and 31-50 percent of AMI, respectively) who are paying more than 50 percent on their income or more on housing, meaning they are currently occupying housing that is affordable to tenants at 50 to 80 percent of AMI. When housing is built to be affordable for those below 50 percent of AMI, housing formerly occupied by tenants that were living above their means will become available for those between 50 to 80 percent AMI. Zuk and Chapple, “Housing Production”; Axel-Lute, “Trickle Up Housing”; [Dan Emmanuel, “The Upshot of Focusing on Extremely Low Income Renters: Expanded Housing Availability for All Renters,” National Low Income Housing Coalition, May 18, 2016.](#)

⁶¹ Zuk and Chapple, “Housing Production,” 4.

⁶² Chew and Truehaft, “Our Homes,” 14.

⁶³ *Ibid*, 14.

⁶⁴ Zuk and Chapple, “Housing Production.”

at the neighborhood level, suggests that in San Francisco and similar housing markets the need for housing is so severe that production alone cannot mitigate displacement.⁶⁵ New construction—especially if it is affordable—may impact housing prices over time, but does little to combat the negative effects of housing instability that results from displacement from one’s neighborhood.⁶⁶

The theory of filtering rests on creating enough supply that those with the highest incomes will move and pass on older housing stock to those at the next income level (and so on and so on). However, the housing shortage we face today is decades in the making. Restrictions on new housing construction since the 1970s have prevented the kind of filtering that has historically produced much of the country’s affordable housing stock.⁶⁷ As such, there is not a readily available supply of aging housing at lower price points in cities that need it the most.⁶⁸ Even if new construction were to begin today, it would take generations for the filtering process to produce housing that is affordable.⁶⁹ According to the American Economic Association, the rent of a typical unit declines an average of 0.31 percent per year—meaning rent will fall only 9 percent after 30 years.⁷⁰ Research shows that filtering rates have an inverse relationship with housing inflation, so cities that are experiencing a rapid rise in rents have slower filtering rates.⁷¹ Filtering also rests on the assumption that renters always will opt for new, luxury housing. However, in some markets where rents are quickly rising, renters are showing preference for older, architecturally significant properties, which disrupts the so-called filtering process.⁷² In fact, one study found that once a rental unit hits 50 years or older, it begins to “filter up” and starts being coveted by higher income tenants again.⁷³

The theory of filtering is not borne out by data. A recent study shows that the United State lost nearly 4 million low-cost rental units (defined as under \$600/month) from 1990 to 2017.⁷⁴ This loss is despite a *net gain of 10.9 million rental units* during this time. Ninety-five percent of this net increase stems from units renting for over \$1,000/month. If the filtering theory panned out, then this increase in high-rent units should have led to an overall decrease in rents—or at least a slower increase. But this has not been the case. In 1990, 46 percent of rental units nationwide went for under \$600/month (inflation-adjusted). In 2017, that number decreased to just 16 percent.

⁶⁵ Ibid, 7.

⁶⁶ [Jeff Fong, “Trickle-Down Housing Economics? Laying Reagan’s Ghost to Rest,” Market Urbanism, August 25, 2015.](#)

⁶⁷ [Daniel Hertz, “What filtering can and can’t do,” City Commentary, October 11, 2015.](#)

⁶⁸ Fong, “Trickle-Down Housing.”

⁶⁹ Zuk and Chapple, “Housing Production,” 3.

⁷⁰ [Emily Badger, “How to make expensive cities affordable for everyone again,” Washington Post, February 19, 2016.](#)

⁷¹ Zuk and Chapple, “Housing Production,” 3.

⁷² Ibid, 3.

⁷³ Hertz, “What filtering can and can’t do.”

⁷⁴ Elizabeth La Jeunesse, Alexander Hermann, Daniel McCue, and Jonathan Spader, “Documenting the Long-Run Decline in Low-Cost Rental Units in the US by State,” Joint Center for Housing Studies of Harvard University, September 2019, 4.