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Rent Regulation Policy in the United States

AN UPDATE WITH ASSESSMENT

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CONTENTS

EXECUTIVE SUMMARY

Rent regulation regimes, sometimes known as rent control, interfere with the rental housing market—indeed, that is their very purpose. This regulation leads to negative impacts on rental housing, such as declining housing supply and increased cost of rent, especially for those whom the policy intends to serve. Despite a largely conclusive body of research illustrating negative outcomes for renters, rent regulation is increasingly being proposed by politicians to their constituents as a solution to housing affordability challenges when, in fact, it exacerbates the problem.

A previous literature review by Dr. Lisa Sturtevant in 2018[1] found several main impacts of rent control:

- Reduces the available supply of rental housing in a community;
- Raises rents in uncontrolled communities within the same larger market area;
- Forces residents into units that do not meet their needs, perhaps depriving other residents of units they need;
- Significant cost of rent control programs to states and localities; and
- Deterioration or lack of investment in rent-controlled buildings.

[1] This work was completed by Dr. Sturtevant with funding from the National Multifamily Housing Council.

This paper updates and expands on the earlier work. While central findings are reinforced—notably rent regulation reduces housing supply and has significant fiscal costs that can offset any benefits—additional nuanced insights are gleaned from this new research:

- Rent regulations reduce the value of rent-regulated properties as well as nearby unregulated rental properties, thereby reducing real estate tax revenue to the locality.
- The imposition of rent regulations accelerates the loss of rental units from the housing stock.
- In several cases, new construction is exempted from rent regulations for a period of time. Oregon, for instance, exempts new units from state rent regulations for 15 years. Nonetheless, economic theory would hold that long-term rental housing production will be reduced in part because investment portfolios will include future rent regulation in the discounted cash flow valuation for new projects, thus lowering their value at an increasing rate for every year toward removal of the exemption with the overall effect of reducing long-run supply.
- Rent regulation inhibits mobility, thus creating a barrier to entry for new renters seeking housing in rent-controlled communities while inhibiting potential opportunities for existing renters. As there is no means testing, rent regulations do provide some benefit to a very small number of low-income households in regulated units in certain communities, but higher-income households receive the lion's share of the benefit. This makes higher-income renters more likely to remain in the property, keeping those homes unavailable to lower-income households and impeding access to certain communities.
- Some research also indicates that white residents are more likely to occupy rent-regulated units than minority residents, thus white renters receive the majority of the benefit of rent regulation.

These new insights from the literature further reinforce years of prior research from both the United States and other countries demonstrating that rent control, as policy, fails to meet its purported objective of creating a more affordable rental housing market, especially for those of more modest means. Instead, these insights indicate there are more effective, alternative ways in which to service households most in need of affordable rental housing, including expanding supply to meet market needs.

> *Laws are made by accidents or misfortunes*—Plato[2]

[2] Adapted loosely from Plato's *Laws*, available from https://www.gutenberg.org/files/1750/1750-h/1750-h.htm.

OVERVIEW

Rent control arises from politicians trying to address the concerns of their constituents about rising rents. Few housing policies in America are more controversial than rent control and the agreement among economists to the ineffectiveness of rent regulation is almost unanimous. Despite this, politicians continue to raise the concept as a solution, as it retains much popular appeal. While intended to shelter low- and moderate-income populations from escalating rents beyond their means, virtually all research shows that rent control has significant perverse outcomes (Sturtevant 2018):

While some research, also reviewed below, seems to show that rent control can deliver benefits to some small segments of society who benefit from enhanced housing stability, rent regulation does not deliver such benefits equitably and limits the benefits that housing mobility could have on those households.

At the beginning of New York City's rent control era in 1950, John T. Willis, then a law professor at the University of Toronto, wrote in the *Columbia Law Review* what may be the fundamental policy rationale for rent control:

> "In few if any cases has rent control been adopted because of an abstract idea that state regulation would bring better results than the operation of the laws of economics. Rather, in almost every instance the hand of the legislator has been forced by some calamitous event or situation which has upset the normal state of affairs–war, depression, earthquake, fire, plague, or some other vagary of history which either destroys the balance of supply and demand, thereby creating a housing shortage, or makes it impossible for residents to continue to pay their contractual rents." (Willis 1950: 54.)

Unfortunately, there is no credible assessment of whether these limited benefits outweigh the costs. Nonetheless, one can infer from the literature that abandoning rent control rapidly could have short-term negative impacts on those small, selected populations. It appears that those can be addressed through government subsidy, such as Section 8 vouchers and the like. One can also infer from the literature that sustaining and certainly expanding rent control reduces housing supply leading to large societal costs and hurts the increasing number of potential renters that cannot access the rental housing market.

By whatever their name and design, rent control, rent stabilization and rent regulation all have as their claimed purpose ensuring housing stability and improved benefits for vulnerable persons, families and households. Vulnerability includes economic, accessibility, social, health and other dimensions. Until recently, the economic dimension has dominated academic literature. As a result, there is little credible data that tie rent control policies to advancing these other societal benefits.

It has long been the implicit policy of the federal government and perhaps most states to advance homeownership over renting, and homeowner stability and benefits over that of renters.[3]

Since the Great Depression, the United States has sought housing stability and increased benefits for homeowners through a wide range of federal policies and programs. Before the housing finance innovations of the Great Depression, homeownership required a large down payment, often half of the purchase price, a short payoff period, usually five years, and a "balloon" payment at the end. During the Great Depression, President Roosevelt reasoned that recovery would be possible through real estate development, starting with meeting the demand for homeownership. In 1934, federal programs were created to stimulate homeownership, such as the creation of the Federal Home Loan bank system and the Federal Housing Administration (FHA). These programs enabled qualifying banks to accept just 20% down, with the balance due over 20 years. But since there was little money to lend, the Federal National Mortgage Association (Fannie Mae) was created in 1938 to borrow money from individuals and entities offering interest based on the full faith and credit of the nation (Integrated Financial Engineering, Inc. 2006). Fannie Mae lent money to qualifying banks by buying their mortgage "paper," thereby reinjecting new capital for banks to lend. Although these inventions did little to bring the U.S. out of the Great Depression, they set up the machinery that fueled post-war homeownership (Jackson 1985). The unseemly downside of federal efforts to reduce mortgage risk were such federally encouraged efforts as redlining, exclusionary covenants and restrictions against minority groups (Rothstein 2017). Fast forward nearly a century and not only are 30-year mortgages common but, up until recently, so were down payments as low as 3%[4] or even 0%.[5]

[3] One exception was the Centers for Disease Control's (CDC) eviction moratorium for renters during the COVID-19 pandemic (https://nlihc.org/coronavirus-and-housing-homelessness/national-eviction-moratorium). For details, see https://nlihc.org/sites/default/files/Overview-of-National-Eviction-Moratorium.pdf. However, once the congressionally approved moratorium ended, the CDC's second eviction moratorium was deemed without authority and was stayed by the U.S. Supreme Court in *Alabama Association of Realtors v. Department of Health and Human Services*, 21A23 (Aug. 26, 2021).
[4] https://sf.freddiemac.com/working-with-us/affordable-lending/guide-to-home-possible-mortgage?gclsrc=ds&gclsrc=ds.
[5] https://www.veteransunited.com/lp/dark/?src=adw&adg=126157240716&cmp=genloan&desc=zerodown-2&matchtype=p&adid=658152387803&targetid=aud-323696887139:kwd-297158598841&label=&campaignid=1769033697.

Moreover, the nation's tax and fiscal policies generally prioritize the economic stability of homeowners over renters through such devices as tax deductions for home mortgage interest and property taxes as well as exclusion of the first $250,000 ($500,000 for joint filers) from capital gains taxes (Pastor, Carter and Abood 2018). State property tax laws also give homestead and other breaks to homeowners, which shift the tax burden to renters, as renters pay for the increasing cost of state and local services not through a separate tax bill but through rent.[6] There is the concern that federal (and state) homeownership policy bias has renters missing out on comparable benefits and even acts in ways to destabilize them as rents and other costs rise.

The federal government has incentivized homeownership stability through the mortgage interest deduction, and federally backed loans provided by Fannie Mae, Freddie Mac, the Department of Veterans Affairs, the Farmers Home Administration and other programs. State and local governments have similarly offered homestead exemptions and other tax breaks as well. In effect, an argument can be made that rent regulation is a local (and increasingly state) effort to level the field in attempting to extend a measure of housing stability benefits to renters. There is a significant difference, however, in that federal, state and local homeownership stabilization efforts are paid for by all taxpayers, rent stabilization costs are borne by exclusively rental housing providers. While the federal Section 8 voucher program and a few state and local programs attempt to provide more housing stability to low-income renters by providing a subsidy, these too are a financial investment by these governments in advancing a government good. Unlike homeowners, however, qualified renters are not entitled to these housing stability benefits because governments have failed to provide sufficient funding. For example, currently only 1 in 4 households nationally that are qualified for the Section 8 housing voucher program are able to access it due to a lack of funding.[7] One might infer that if governments made rental housing subsidy to promote renter stability universally available, rent control would lose its appeal.

This paper acknowledges that despite the widely acknowledged failure of rent regulation to deliver on the purported outcomes, this policy approach has continued to be popular among politicians looking for a politically expedient way to respond to constituent concerns about the increasing cost of housing. As a result, a key objective here is to introduce constructive approaches that meet the needs of those households that the policy aims to serve, while expanding overall supply which, in the absence of needed government investment in rental subsidy programs, such as Section 8, will create more renter stability for the target population.

This paper is separated into the following segments: first, a brief history of rent regulation in the United States and explanation of the current forms of rent regulation (Part 1); second, the actual counterproductive impacts of rent regulation policies (Part 2); and finally, a discussion of the actual causes of the problems rent regulations purport to address and other, more effective policy choices (Part 3).

[6] See https://itep.org/property-tax-homestead-exemptions/. Although landlords can deduct property taxes from gross income, the fact that property taxes are higher for rental property because homestead exemptions shift the incidence means total rental property expenses increase, thereby stressing income unless rents are increased to compensate.

TERMINOLOGY

Rent regulation is the umbrella term used to characterize government intervention in the private rental housing market through rent control, rent stabilization, vacancy decontrol and eviction control. The umbrella term applies to rental housing that is privately owned and not subject to federal, state and local development, finance and other agreements that bind units to conditions under which units are built, financed and rented.

Rent control (also known as rent freeze) means absolute caps on rents that limit landlords as to what they can charge for protected rental units. It typically also includes measures that reduce the ability of landlords to evict residents. It was used throughout World War II for more than 80% of the nation's rental housing stock. It was continued after the war by New York City, which applied the policy to units built before 1947. Rent control in its original form remains for only those residents who have resided since 1971 in units built before 1947. For all other units, modern rent control policies allow for periodic increases based on formulas.

Rent stabilization allows for annual rent increases subject to limits usually applied to the prior year's rent. Parameters vary as seen among the New Jersey examples summarized later. This version of rent regulation has been more popular since the early 1970s. It applies to specific units that might otherwise have been subject to strict rent control.

Vacancy decontrol allows rents to be reset toward the prevailing market rate when the resident vacates a unit. These units become subject to rent stabilization rules once they are reoccupied.

Forced vacancy (also known as forced mobility) occurs when a resident is forced to leave a unit in which they would rather stay for several reasons, such as: (1) eviction for cause, which sometimes requires review pursuant to local rent regulation procedures—this can include inability to pay rent that is increased as allowed by local or state law; (2) local officials deem the unit uninhabitable; (3) the building is being converted into condominiums; (4) the building is vacated of all residents even if there are no replacement uses stated; (5) the building is anticipated to be demolished and even if replaced with rental apartments may escape rent regulation because it is a new structure; and (6) other means landlords may pursue.

Adapted from Pastor, Carter, and Abood (2018).

NMHC

PART 1: A BRIEF HISTORY OF RENT CONTROL IN THE UNITED STATES

Research tends to divide rent regulation into three post-war generations. The first was dominated by New York State and headlined by New York City; the second was characterized as rent stabilization over rent control, as it aimed to limit increases to all qualified rental housing units based on formulas. This became popular especially in the supply-constrained markets of Boston, metropolitan Los Angeles, San Francisco and Seattle, among others, where rent control was used to preserve housing options for lower income residents (Arnott 1995). The third generation shifted the emphasis to residents, where rent increases were limited in ways similar to the second generation, but once vacated (rent decontrol), units could be reset to more closely match market conditions (Arnott 2003).[8]

By the end of the 2010s, the three post-war regimes had evolved to share many of five (5) operational features, all except the second being reviewed by Asquith (2019):

1. Rents are no longer dictated and capped as they were during World War II or in places like New York City during the first generation of rent control (this new version is also known as "vacancy decontrol")." Rental housing providers now could reset rent for the next resident that is close to the market rate at that time. This also enables the rental housing provider to cover the cost increases in state and local taxes, insurance and other "pass-through" costs that are largely beyond the owner's control. This can range from modest increases in New York City and Washington, D.C., to completely overhauled rents in newly vacated units in the states of California, New Jersey and Oregon. In effect, rents are highly regulated while the resident occupies the unit, but new residents' rents can be reset. None of these programs are means tested, thus benefiting wealthy and low-income renters equally.

[8] A more detailed historical timeline of rent regulation can be found in the Appendix.

2. Rents can increase based on formulas during tenancy. These are done to prevent perceived excessive rent increases that would be enticing if markets tightened to the point where rents would exceed the means of certain residents. Oregon is an interesting statewide case. Its 2019 rent regulation formula allowed for increases on many units to no more than 7% plus the rate of inflation.[9] The 2019 law was changed in 2023 providing for increases to be the lesser of 10% or 7% plus the CPI.[10] Unfortunately, as of writing this, there has been no scholarly assessment of Oregon's statewide program. A more detailed breakout of all similar laws, sometimes called "anti-gouging" laws, meant to prevent perceived excessive rent increases, can be found in Appendix B.

3. Under most state laws, rental housing providers are generally required to renew leases when they expire. Rent regulation regimes also highly restrict evictions, limiting evictions for "just cause." In practice, this means landlords must make their case to local regulators or special housing tribunals, and the list of allowable offenses is often narrow. This is designed to prevent property owners from using evictions to escape rent regulation.

4. Most modern rent regulation laws do not apply to new buildings. There are usually provisions where new buildings can or even must enter the rent regulation pool in return for such subsidies as tax abatement, grants and other concessions.

5. Rent regulations usually include opportunities for landlords to raise rents to help cover the cost of renovations or unexpected increases in operating costs. These formulas or other mechanisms are not always designed to keep pace with the actual costs of maintaining and operating rental housing, however.

[9] In 2023, rents could be raised as high as 14.6%. https://oregoncapitalchronicle.com/2023/04/03/oregon-lawmakers-ponder-stricter-rent-control-laws-after-14-6-increases/
[10] https://olis.oregonlegislature.gov/liz/2023R1/Downloads/MeasureDocument/SB611/Enrolled.

PART 2: MAKING SENSE OF THE RENT REGULATION DEBATE

The venerable economist and Nobel Laureate Paul Krugman, himself a champion of many progressive economic policies, is no fan of rent regulation:

> The analysis of rent control is among the best-understood issues in all of economics, and—among economists, anyway—one of the least controversial. In 1992 a poll of the American Economic Association found 93 percent of its members agreeing that "a ceiling on rents reduces the quality and quantity of housing."[11]

This section recounts the theories upon which rent regulation policies are based and the many studies showing the ineffectiveness and indeed the detrimental social consequences of rent regulation. This second part also explores the dimensions of limited resident stability and benefits that rent regulations attempt to provide. It also assesses the extent to which those objectives are met based on literature.

Justifications for Government Regulation of Rental Markets

In many ways, the housing market responds to supply and demand just like the markets for other consumer goods. For example, if there's more demand for gasoline (or pizza or beer, for that matter) at the current price than there is supply, shortages will occur. The market will raise the price to the point where the willingness to pay for gas just equals the marginal cost of supplying that additional gas. Price will change daily, if not hourly, depending on supply and demand interactions.

But housing is not gasoline or pizza or beer. It is expensive and complex to supply. While it is consumed/rented in the moment like gasoline, pizza and beer, it is also a durable good that is built to last for decades and eventually be occupied by other residents. On an average annual basis, the United States will build about 1.5 million homes, but this is only about 1% of the nation's housing stock. This type of housing is also generally built for the current generation, not the past or the next. Sometimes it takes so long to build a home that the market has fundamentally changed by the time it's finished. Homes built in expensive areas draw high rents for a generation; but, as the area ages, it may become less favored resulting in lower rents over the next generation, only to be updated in another generation as the area is "rediscovered" by the market, resulting in higher rents.

[11] https://www.nytimes.com/2000/06/07/opinion/reckonings-a-rent-affair.html.

During the down-cycle, aging housing is "filtered" from higher to lower incomes, but during the up-cycle it becomes re-filtered or "gentrified." This process helps ensure that there is a supply of more affordable housing at various moments in time in different neighborhoods.

Filtering is an important element of a dynamic housing market. Myers and Park (2020), for example, found filtering during the period 2000-2006 added 69,000 low-income occupied units annually as higher income households moved up into newer stock. After 2011, however, the filtering process turned negative because of tighter residential lending after the Great Recession and reductions in federally subsidized housing programs.

Herein lies one of the key troubling elements of rent regulation: ***it suspends the filtering process of housing***, whether intended or not. It does so by applying rent regulation to older rental properties that were built for an earlier generation. Some examples:

New York City

- **The nation's oldest rent control program applies to rental stock built before 1947, which now numbers only areound 16,000 homes..[12]**
- **New York City's broader rent stabilization program applies to rental units built between 1947 and 1971 that now number about 1 million homes of more than about 2.2 million rental units.[13]**

Los Angeles

- **In Los Angeles, the cutoff year is 1978 although some units built to replace those lots from the pre-1978 inventory may also be included. There are now about 624,000 units covered by rent regulation in Los Angeles[14] out of nearly 900,000 rental units.[15]**

Oregon

- **In Oregon, with one of the nation's newest programs, rent regulation applies to all units in cities with the 15-and-older population numbering more than 10,000, affecting about 500,000[16] of the state's roughly 650,000 rental units.[17]**

[12] https://www.nytimes.com/article/rent-stabilized-apartments-nyc.html.
[13] https://www.nyc.gov/content/tenantprotection/pages/fast-facts-about-housing-in-nyc.
[14] https://housing2.lacity.org/residents/what-is-covered-under-the-rso.
[15] https://www.rentcafe.com/average-rent-market-trends/us/ca/los-angeles/.
[16] https://bungalow.com/articles/oregons-rent-control-law-explained.
[17] American Community Survey, 1-Year Estimates, U.S. Census Bureau.

In jurisdictions where rent regulation applies to units built before a certain date, in theory it should not reduce the production of new units. Indeed, from that perspective, it would be incorrect to assign low housing production and high rents to rent control in such places as New York City and Los Angeles because new stock is exempt. In those places, other factors are at work that constrain new supply, such as planning and development regulations, NIMBYism (Not In My Backyard), infrastructure and terrain limitations, and so forth. **But if rent regulation reduces returns to rental housing investors, without compensation from the government that imposed the regulation, they become less able to leverage returns into new rental stock, thus the supply of rental housing is reduced.**

Rent Regulation Regimes Reduce Housing Supply and Options for Renters

Rent regulation is both operationally restrictive for housing providers in the short-term and disadvantgeous for renters' housing opportunities in the long-term. As will be seen below, housing providers in rent-regulated regimes will slowly but surely remove stock from regulation over time, as they are incented to do so when the cost of operation increases with the age of the building. While some units are converted into for-sale condominiums, others are taken off the market for lack of sufficient revenue to cover the cost of maintenance or renovation. Rent regulation is imposed when supply isn't sufficient to meet the demand in all submarkets. When supply is insufficient to meet demand, rents (and prices) rise. Without removing various barriers to housing production, which add significantly to the cost of financing and constructing new housing, supply will not meet demand and rents will rise. In effect, governments use rent regulation to provide for the housing needs of a class of residents that government itself will not provide for fully. As discussed previously, governments at all levels have failed to provide the financial resources necessary to create opportunities for renters to be given the same housing stability incentives afforded to homeowners. Private property owners, not the government, then become the responsible party for applying this housing policy to their rental units, and then must determine how to still reinvest in the upkeep, pay uncontrollable "pass-though" costs and receive a financial return for their unit (a more detailed account of the economics behind this can be found in the Appendix). In effect, a small group of private citizens becomes financially and operationally responsible for providing a public good.

Indeed, this very outcome was confirmed by Diamond, McQuade and Qian (2019a) in their analysis of San Francisco's rent regulation program (Diamond, McQuade and Qian 2019a: 3393):

> In sum, we find that impacted landlords reduced the supply of available rental housing by 15 percent. Further, we find that there was a 25 percent decline in the number of renters living in units protected by rent control, as many buildings were converted to new construction or condos that are exempt from rent control.

Rent regulation can also discourage demand in other ways. In the face of insufficient supply of rent-regulated units and rents for non-regulated units rising because of overall reduced supply relative to demand, some households give up and move elsewhere. If they incur longer commutes to work in the city, there are adverse environmental, financial, social and health outcomes.

Although a certain relatively small number of residents benefit from rent regulation, as will be seen below, the aggregate market incurs efficiency losses that are borne by all.

Units Are Removed from the Rental Stock

There is the concern that rent regulation will induce landlords to remove regulated units from the market. For instance, Heskin, Levine and Garrett (2000) investigated changes in the number of rental units based on resident demographics in four California cities that adopted rent regulations that included vacancy controls between 1980 and 1990. They included six controls called "border areas" within the four cities that did not have vacancy control. Rent regulations and vacancy controls incentivized conversions to owner properties resulting in an overall reduction of 7% in rental units over the study period.

Echoing findings on the opposite coast is Sims' (2007, 2011) study of Boston, Cambridge and Brookline, Massachusetts. These studies compared rental and ownership data during and after the state's elimination of rent regulation in 1995. Sims found that after rent regulations were removed, housing units in formerly rent-regulated areas were 7% more likely to become rental units than units in uncontrolled areas, thereby increasing rental housing choices.

During times of rapid rent increases, housing providers may be tempted to raise rents to a point that would displace certain residents and replace them with new ones at higher rents as allowed in most rent regulation programs. The research has shown that housing providers may also be tempted to remove their units from the supply by converting them into for-sale property, usually condominiums.

In a study of San Francisco during a time of strong rental and owner market demand, 2004-2013, Asquith (2019) found there was some evidence that property owners converted some units to homeownership through condominium conversions, even though the city limited these conversions through an onerous lottery process. Based on this research, one can infer that the cost and risk of continuing to operate a rent-controlled property in San Francisco outweighed the cost and risk of going through this difficult conversion process for many property owners.

Across the San Francisco Bay, Berkeley voters adopted rent regulation in 1980. Its ordinance covered all the roughly 46,000 rental units. In response, the city lost more than 1,000 rental units through condominium conversions between 1980 and 1990 (Barton 1998), despite increasing demand for rental housing and a growing student population.

Gaffney (2021) assesses the rental housing supply effects of East Palo Alto's—a lower-income and racially diverse area—rent control policy adopted in 2010. Using Census data for the years 2010-2019, Gaffney found that while rent control had no statistically significant effect on the availability of rental units, rents continued to climb, as it did little to offset increases in median rents compared to a control city (Fairfield) or California as a whole. One interpretation is that while housing demand increased in the East Palo Alto market area, rent control policies may have inhibited private sector willingness for risk investment in a low-income market where the politicians have shown their willingness to adopt policies, like rent control, that inhibit housing supply expansion.

Diamond, McQuade and Qian (2019a) studied rent regulation in San Francisco from 1994—when the 1979 rent control ordinance was expanded to include formerly exempt, smaller complexes—to 2012. They found that regulation benefited mostly the relatively small number of older residents and long-term residents because they were incentivized to remain in their units regardless of their income. Those affected adversely are newcomers who are mostly minority, working households. Their entry into the local market became even more restricted because of rent regulations. Other key findings include:

- Rent regulations decreased renter moves, especially for minorities who were a small group of renters impacted, with reduced mobility of 20%;

- Rent-regulated buildings were 8% more likely to convert to a condo than buildings in the control group, further reducing the supply of rental housing;

- Rent-regulation led to a 15% reduction in the number of renters living in regulated buildings and a 25% reduction of residents overall in rent-regulated units compared to 1994 levels; and

- Reductions in rental housing supply were due, in part, to owner-occupied condominium conversions through an onerous city-run process or demolitions of rental buildings, which owners found more economically viable than recapitalizing and preserving the property as rental housing.

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It is worth noting that California law allows rental housing providers to relocate all the residents of their building at any time if they plan to convert the rental units into condominiums, renovate the entire structure or demolish the building to build new rental units that would then be exempt from rent regulation. It is for these and other reasons that Diamond, McQuade and Qian (2019b) conclude, starkly, that "the expansion of rent control in San Francisco led to a long-run decrease in the supply of rental housing" (Diamond, McQuade and Qian 2019b: 380).

Rent regulation formalizes two housing markets where only one existed before. Before rent regulation, the rental housing market performs as most competitive markets do, with units being rented to a price that the market commands.[18] If demand exceeds supply, rents go up, but so does net revenue, which becomes a signal to the market that more units are needed. That need will be met based on supply/demand features of market niches or segments. Rents vary by unit type, size, location and quality, with lower rents often indicative of older, smaller, less maintained units in less desirable locations while units with higher rents are often newer (or refurbished/renovated), larger, maintained better and in quality locations. That is the nature of housing markets and corollaries can be made to the prices of food, gas and other commodities. Unserved or underserved market segments cope by finding alternatives farther away, doubling up and so forth.[19] While this is the problem rent regulation purports to address, rent regulation actually restructures, even bifurcates, the housing market in several ways:

- The long-run supply of units in the rent regulation regime dwindles. It is often a fixed supply to begin with, usually comprised of units built before a certain year, such as New York City or all units of a certain age or older, such as Oregon. The fixed supply of housing units will fall over time because of age, obsolescence, destruction, repurposing or replacement, among others, which makes it even more difficult to maintain an adequate supply of housing especially in areas where the population is growing. Among those "other" reasons can be the practice of landlords in some situations to compensate their residents for leaving (which would allow the housing provider to rent the unit at the prevailing market rate and allow renters to benefit financially from the transaction) (D.C. Policy Center 2020).

- Where local regulations allow (and most do), existing units subject to rent regulation can be removed and converted into condominiums or co-ops for homeownership. While this removes the cash flow advantage of rent income to housing providers, it allows some owners to cash out and reinvest their return elsewhere, or even in the same community, through the construction of new rental units that are exempt from rent regulation.

- The overall supply for non-rent regulated residents falls immediately with rent regulation as it impacts the valuation of the property. While this does not affect residents seeking rent regulation, market-rate residents may be dissuaded because of perceived disinvestment and reduced quality over time. Related to this is the prospect that residents in regulated units will remain longer than they would have otherwise, thereby distorting normal market cycling and limiting mobility.

- Higher income residents will continue to be served through existing stock or new stock that is likely out of the reach of residents who cannot (or will not) move into rent-regulated units and cannot afford new stock.

[18] This need not be the highest rent. For instance, in choosing between a resident who appears "low maintenance" in terms of wear and tear on the unit and one who is "high maintenance," the low maintenance resident may be selected even if that resident seeks concessions resulting in somewhat lower total rent.
[19] The mostly spurious assertion that rent regulation causes homelessness is addressed below.

The long-run outcome is that a group of residents in the middle, between the higher-end market and the rent-regulated markets, are squeezed out of the market. As will be seen below, it is possible that a disproportionate share of this "middle market" are minorities, working households and lower-income residents.

Housing Stability Is Achieved for a Small Number of Rent Regulation Recipients at the Expense of Mobility and an Often Larger Number of Residents Who Cannot Yet Access the Rental Housing Market

The rent regulation literature shows that rent regulation improves housing stability for a limited number of residents in certain communities, which is a key objective. However, it comes at the expense of potentially greater economic opportunity for this group that housing mobility would provide and a usually much larger number who cannot access the rental housing market due to increased costs and lack of supply brought about by rent regulation.

Ault, Jackson and Saba (1994) use 1968 rent control data from New York City to ask whether that policy reduced mobility inefficiently even if it did advance stability. The study is notable since its data precedes the changes in 1971 referenced earlier and thus addresses rent control in about as pure a form as possible in the U.S. They found that while housing stability was achieved for this group, the cost was loss of mobility to a far greater extent than would be expected without rent control. The inference is that rent control removes the ability of residents to move to other locations to improve their well-being if it means losing the rent control benefit. This is similar to results reported by Gyourko and Linneman (1989).

In the rental market, long-term residents usually enjoy a discount in paying lower rent than the prevailing market. Rental housing providers of rent-stabilized properties can avoid the costs of renovations for the next resident and sustain cash flow. These savings are passed on to residents, thereby inducing them to stay put even if they sacrifice mobility, and subsequently well-being, for stability. This phenomenon was studied by Clark and Heskin (1982) in the context of a 2-year rent freeze imposed by Los Angeles on certain rent-controlled units and limits on rent increases for rent-stabilized units during the late 1970s. Two key findings relevant to this paper are offered. First, as expected, they found a sizable rent discount for market-rate residents who stay in their unit for several years. For rent-regulated residents, this discount is about 30% over 3 years. Because rents will escalate toward the market if rent-regulated residents move to another qualifying unit, residents lose mobility. This leads to a distributional outcome regarding the effect of rent regulation on the ability of lower income households to move to locales where there might be greater economic opportunity and they may be better served. Increased renter stability for some also means reduced turnover, so units are not as available for those who are seeking access to rental housing.

The loss of mobility as a tradeoff for stability is found in international studies. For instance, a study by Oust (2018a, 2018b) investigated the relationship between rent control and mobility in Norway. Oust used removal of the Norwegian rent control program in 1982 as a natural experiment to assess whether rent control influenced mobility of rent-controlled households in Oslo. It appears that Norway had a rent regulation regime much like what is found in the U.S. The study indicated that it is more costly for a potential resident to find a rent-controlled home during the rent control regime than it is to find a decontrolled rental home afterward. The author concluded that rent control decreases the chances of finding a home in the preferred location and with desired features for residents who decide to move. In another European study, Munch and Svarer (2002) found that rent control adds an average of six years to the change in residential units among rent-controlled residents, relative to non-controlled ones, comparing the most regulated 10% of the population to the 10% least regulated. As a result, rent regulation both limits the ability of current renters to take advantage of new economic opportunities and makes it more difficult for those seeking rental housing to do the same.

Distribution by Income and Racial/Ethnic Group May Not Be Equitable

One of the purported policy purposes of rent regulation is to help create a more even playing field between wealthier households and lower-income residents. **Research shows clearly that this does not happen under rent regulation.** One reason is that rent regulation is ***not based on income tests.*** Unlike public housing, Section 8 rental vouchers, the Low-Income Housing Tax Credit (LIHTC) program and the like, rent-regulated units are not required to be rented based on income. Inasmuch as white households, on average, earn more than minority households, they are the ones who often benefit most from rent regulation regimes.

For instance, Glaeser's (2002) study of New York City and New Jersey found that rent regulation allowed some poorer as well as older residents to live in Manhattan while rent regulation in economically lagging cities of New Jersey increased the isolation of the poor. These findings indicate that a more economically effective and equitable solution would be to use housing vouchers to support the actual cost of rent for lower-income renters or supply-side incentives that would lower the overall cost of housing. Unfortunately, all levels of government have historically failed to make the financial investments needed to make these programs available universally to qualified renters, but instead, some politicians have suggested that the cost be borne by private property owners through rent regulation.

Chen, Jiang and Quintero (2023) simulated what might have been the outcome without rent regulation. In their study of New York City over the period 2002-2017, Chen, Jiang and Quintero estimated hypothetical rents and predicted the quality-adjusted rent discount for rent-regulated units. They found that rent regulation confers a discount to residents of about 34% with the aggregate savings to residents being about $4.0 to $5.4 billion per year across the city. This is equivalent to about 10-14% of the federal budget allocated to means-tested housing programs in New York City. Second, they found that discounts:

- Increase linearly with housing years of tenure, not true market costs;
- Are not progressively distributed with respect to income;
- Are larger in the Manhattan borough and increase gentrification in neighborhoods; and
- Are three times larger for households that are aware of the discount.

They further found that rent regulation benefits white residents disproportionately. Indeed, not only are white households more likely to occupy rent-regulated units, but they also realize higher discounts. In contrast, on average, Black, Hispanic and Asian American/Pacific Island residents receive, respectively, $150, $135 and $43 *lower* monthly rent discounts (in 2022 dollars) than whites, all else equal.

Earlier studies have shown that older households are the primary beneficiaries of rent regulations (Clark and Heskin 1982; Glaeser 2003; Gyourko and Linneman 1989) regardless of their income. The incentive for older residents to remain may mean that they forego the opportunity to live in a unit that is more suitable to their needs and supports their ability to effectively age in place. It also means that families that could better utilize the size and amenities the unit has to offer do not have access.

Rent regulation is often found in jurisdictions that are dominated by lower income households (Ambrosius et al., 2015; Gilderbloom and Ye 2007; Glaeser 2003; Gyourko and Linneman 1989). For instance, Ambrosius et al., (2015) found that New Jersey cities with rent regulation had about 25% lower median incomes and 70% more Black residents than control cities. Rent regulation was not found to increase housing supply commensurate with demand.

On the other hand, a perverse outcome to rent regulation was found in New York City. Gyourko and Linneman (1989) showed that based on benefit-to-income ratios, rent regulation benefits tended to accrue more to white households than others. Another study of New York City found that "rent control is not targeting the people who are likely to gain the most from integration" (Glaeser 2003:199). Moreover, given that other research indicates that rent regulation often deters investments in new multifamily housing, it could be inferred that lower-income communities with rent regulation are foregoing opportunities for more new housing investment and the economic benefits that go with it.

A key concern is the effect of rent regulation on other housing in the local market. Pastor, Carter and Abood (2018) reviewed studies showing how rent regulations were sometimes associated with increasing rents elsewhere, and sometimes not. Aside from the San Francisco studies, their review of research concluded that non-regulated rents stayed about the same or were even lower than regulated units in the same neighborhood. They reasoned that areas impacted by rent regulation were already older, in need of upgrading and had already been sorted by the market as lower rent options.

Some policymakers continue to push for the expansion of rent control with the argument that rent regulation is an important policy tool in the absence of meaningful expansion of the rental housing supply. The fact remains that virtually all academic studies find flaws with rent regulation. On the other hand, regulating rents through various subsidized housing programs has been found to have positive outcomes. Favilukis, Mabille and Van Nieuwerburgh (2021) found in one recent study that these government-funded rental housing initiatives reduce housing inequality, but the findings of this study do not necessarily imply rent regulation policies that require property owners to bear the entire cost and upend rental market dynamics to achieve the same results. Their simulated study evaluated the effects of rent regulation, zoning, housing vouchers and tax credits for developers, and found that adding an income requirement and subsidy to rent stabilization reduces inequality and improves stability for households that face loss of income. However, these findings do not necessarily translate to rent regulation policies given that rent regulation does not include government subsidy or other incentives.

*Rent Regulation **Misallocates** Housing Resources*

Rent-regulation can also lead to misallocation of housing resources. This occurs when residents in rent regulated units do not move so as to benefit from ever-increasing discounts from market rents accrued the longer they stay in the unit. The result is housing misallocation (Ault, Jackson and Saba 1994; Bulow and Klemperer 2012; Glaeser and Luttmer 2003; Hardman and Ioannides 1999; Sims 2011). Rent regulation thus induces residents to remain in place rather than move to units that meet their needs better. While this may be a rational decision on the part of the renter, in the short term, given the perverse incentives created by rent regulation, it could have negative consequences down the road (Dreier 2017).

Of course, much the same can be said for homeownership. Many millions of homes have fewer people living in them now than when children were being raised in them. The owners do not want to leave because that incurs search (the process of finding a new home), transaction (selling/buying) and transition (moving) costs, not to mention severing their social networks. More recently, the desire on the part of homeowners to preserve historically low interest rates on long-term home mortgages has dramatically limited the supply, driven up costs and put even more pressure on the rental market. Research has shown that such other market factors continue to result in increases to the cost of rental housing even in rent-regulated communities, further distorting the housing market and misallocating housing resources.

Rent Regulation Is Costly to Local Revenues

Policymakers often do not consider the effect of policies on those who are not targeted for benefits (or punishment)—the proverbial unintended consequences. Economic incidence analysis tries to determine who receives benefits and who incurs the costs from a change. Diamond (2018) recounts a study of Cambridge, Mass., reviewed here, that does this.

Between 1970 and through 1994, all rental units in Cambridge were subject to rent regulation. In November 1994, Massachusetts voters outlawed rent regulation by a narrow 51-49% margin, although Cambridge voters were 60% against. Nonetheless, from 1995 forward, rent regulation was outlawed in the state. Before it was outlawed, however, some residents enjoyed up to a 40% discount on their rent relative to the market. Moreover, Autor, Palmer and Pathak (2014) estimated that during the rent control era, rent-regulated properties were valued at a discount of about 45 to 50 percent relative to comparable properties in the same neighborhood that were not regulated. The sudden removal of rent regulation created a “natural experiment” to investigate how such a sudden change in policy affected residents, landlords, investors and the local housing market broadly. In conducting the natural experiment, Autor, Palmer and Pathak found that:

- Newly decontrolled market values rose by 45%, which, in turn, increased the tax revenue for the jurisdiction and is used to make community-wide investments;
- Removing rent regulation boosted neighboring property values as well; and
- Residential properties at the 75th percentile of rent regulation exposure (meaning the share of properties subject to rent regulation) gained about 13% more in value than properties at the 25th percentile of exposure.

The researchers reasoned that the effect of rent regulation was to reduce entire neighborhoods’ investment desirability. They concluded (Autor, Palmer, and Pathak 2014:703):

> *The contribution of decontrol to the capitalized value of the Cambridge residential housing stock in this period corresponds to a total of $1.8 billion.*

About $300 million of this gain was attributable to the direct decontrol of rent-regulated properties. It is a measure of the direct benefit enjoyed by rent-regulated residents. One interpretation is that while the few rent-regulated residents enjoyed a $300 million benefit through below-market rents, the rest of Cambridge incurred a $1.7 billion cost.

Diamond, McQuade and Qian's (2019a) analysis of San Francisco rent regulation led them to conclude that such policies led to a long-term reduction of the very supply of rental units for whom rent regulation is intended. But how is the reduction distributed and, ultimately, who pays the price? Diamond, McQuade, and Qian (2019b) show that there was a greater reduction in housing supply among larger landlords managing multifamily communities. These are the very rental housing providers that had the most capacity to build more needed rental housing but were disincentivized to do so due to rent regulation. In contrast, individual landlords were more likely to hold onto their inventory. In effect, San Francisco's policies had little effect on "mom and pop" operations perhaps because their alternative opportunities were much more limited. (See also Pastor, Carter, and Abood 2018.) It can be assumed that larger housing providers who had more choices as to where to invest their resources chose to build in other jurisdictions.

Ahern and Giacoletti (2022), in their study of rent control adopted by St. Paul, Minnesota, in 2021, found that rent control reduced property values by 6-7%, or $1.6 billion, across the city resulting in lost tax revenue to the city. They then show that higher income residents gained the most from rent regulation, and they were more likely to be white. Residents who lost the most tended to be minorities. Ahern and Giacoletti conclude that where rent control may have intended to transfer wealth from higher- to lower-income households, the reverse occurred.

Economic Mobility for Residents Is Harmed by Rent Regulation

While one would expect that a key reason for rent regulation is to broaden job opportunities for residents, especially in job-rich areas where housing may be the least affordable, Jiang, Quintero, and Yang (2023) found otherwise. Using data from 2002 through 2017, they found that rent regulation was associated with a five-percentage point increase in residents' unemployment status. They reason that while rent regulation can discourage job-search efforts because the pressure for working is reduced somewhat, rent regulation provides a buffer that creates the opportunity for longer searches for current residents. They surmise this occurs especially in the finance, insurance, and real estate industries where unemployment rates are often lower than average. Moreover, rent regulation in expensive cities incentivizes workers to remain in the city between jobs, even if there are better opportunities for them in other locations.

However, Chen, Jiang, and Quintero (2023) again show that rent regulation with their associated rent discounts favors white and somewhat higher-income groups disproportionately. One reason may be that they have the means to be more aware of rent-regulation opportunities. They argue that rent regulation may "deter those who would benefit from a buffer for a job search from accessing the benefit" (Chen, Jiang, and Quintero 2023: 22).

International Perspectives Show Similar Negative Impacts of Rent Regulation

While this paper focuses on United States policy, important comparative international research has emerged in recent years that sheds new light on the relationship between rent regulation and rental housing production in other economies.

The first global perspective is offered by Kholodilin and Kohl (2020), who present analysis of long-run data on rent regulation and housing construction for 16 developed countries over the period 1910-2020 and 44 developing countries from 1980 to 2017. Their findings generally confirm economists' views that rent control suppresses new rental housing production, which ultimately most hurts renters seeking affordable housing options. These negative outcomes can be offset somewhat through exemptions for new construction and increased government provision of housing directly or through incentives. Nonetheless, even these offsetting efforts appear to dampen new rental residential construction overall.

Echoing Kholodilin and Kohl's international analysis is another comparative international work reported by Weber and Lee (2020). Using data for 18 developed countries from 1973 to 2014, they find that stringent rent control regimes may lead to lower real rent growth rates than market rate regimes. However, resident "soft rent-control regimes" may cause rents to move higher than the market. In the absence of rent control or soft control, market rents have not risen higher than would be expected. They conclude that rent control and to a lesser extent soft control regimes reduce the supply of rental housing. Their solution would be to incentivize more rental housing with public incentives to create increased housing supply.

Kholodilin and Kohl (2023) also show that rent regulation and housing-rationing measures, especially since the global financial crisis of 2008-09, led to increasing owner housing and decreasing private rental housing. They surmised that the combination of generous homeowner subsidies and policies that stifle rental housing production through rent regulation crowd out additional capital investment in the creation of more needed rental units (see also Kholodilin, Kohl, Korzhenevych, and Pfeiffer (2021)).

Rent Regulation Negatively Impacts Neighborhood Quality

The neighborhood life cycle is not only one of aging and filtering of housing stock but can include changes in levels of amenities and public safety. In turn, aging, filtering, amenities, and safety affect prices in the housing market. If rent regulation suspends the filtering process, then controlling for other factors, to what extent does it also affect neighborhood amenities and public safety? Autor, Palmer, and Pathak (2019) address this question in the context of Cambridge, MA, where Massachusetts voters repealed rent-regulation laws in 1995. The authors show how ending rent regulation increased demand for locating in Cambridge—resulting in higher rents and home prices, and fewer crimes. Indeed, reduced criminal activity accounted for about 10% of the capitalized value of rent regulation removal (see also Autor, Palmer, and Pathak "2014," "2017").

The bottom line is that rent regulation reduces the ability of the local housing market to produce new, affordable or moderately priced housing. Overall, research shows that while rent regulation indeed keeps rents from rising too quickly for a small number of covered residents, the tradeoff is reduced quantity and quality of the regulated stock over time. Some property owners who cannot afford to maintain older properties on limited income and thus decide to convert their rental buildings into condominiums, decide to spend less on maintenance or renovations, or even take units off the market that require higher maintenance costs than justified by the rent revenue (Mitchell and Schmidt 2015).

Rent Regulation Does Not Further Eviction Prevention, Well-Being and Educational Attainment

There is a large body of literature on the adverse effects of housing instability on residents across several dimensions, including education and health. One perceived rationale for rent regulation is to reduce housing instability. This runs in contrast to other research, however, that shows that rent-regulated residents are 2.4 times more likely to face eviction proceedings than non rent-regulated residents (Gardner 2022; see also Geddes and Holz 2023). Asquith's (2019) analysis of eviction records found no statistically significant evidence that evictions or attempted evictions increased for rent-regulated units in San Francisco when there was an increase in demand. Together, this evidence suggests that rent regulation is not an eviction prevention tool and, in turn, does not support educational attainment or increased well-being, but instead, either makes eviction more likely or has no statistical impact.

Rent Regulation Is Not the Answer to Our Housing Challenge

Rent regulation is not favored in the literature, especially among economists. Regardless of the research and the data, politicians seeking to gain favor with potential voters continue to offer this failed policy to voters without disclosing the negative consequences.

The idea that rent regulation is not an effective option is suggested bluntly by Pastor, Carter, and Abood (2018). Whereas various safety net policies related to Social Security and Medicare are available to everyone based on means testing—which leads to efficient resource allocation—this is not the case with rent regulation since (a) it applies to all qualifying residential property and (b) residents are not means-tested to gain access to subsidized rents. Those subsidies are also borne not by the larger pool of taxpayers to further the government's goals but by the much smaller pool of private housing providers. This, in turn, disincentivizes this group from making more investments in needed new housing units. It would be far more effective to supplement wages for lower-income households (such as through a guaranteed minimum income program) to improve their ability to compete for housing.

PART 3: RENT CONTROL AS A SYMPTOM OF DEEPER ISSUES

Part 3 advances the theme that the imposition of rent regulation is a symptom of deeper issues in America's willingness to confront the need to make the financial investments needed to create a stock of safe and decent housing for its citizens. This part begins with a review of the rental housing challenge. It continues with an outline of the barriers to the production of rental housing, especially apartments, and a discussion of how these barriers are not addressed, and often impaired, by rent regulation.

The Rental Housing Challenge by the Numbers

Several recent studies report that the U.S. needs as many as 7.3 million homes to meet its housing needs now and even more in the near future.

Both Freddie Mac,[20] a government-sponsored enterprise, and Up for Growth,[21] a D.C.-based think tank, separately estimate that the nation is short of about 3.8 million housing units to meet current demand (using two different methodologies). But these are only those units that are missing to meet demand.

A report issued in 2022 by NMHC and NAA (Hoyt Advisory Services and Eigen10 Advisors, LLC 2022) estimated that the nation needs to add 3.7 million new apartments[22] by 2035. However, these projections assumed a homeownership rate that spiked during the low-mortgage interest years of the COVID-19 pandemic. Higher interest rates will reduce home ownership and thus increase demand to 4.8 million new units in properties with 5+ units by 2035.

Considering pent-up demand for both owner and renter housing, this author prepared a study showing that the nation was missing about 5.8 million homes when accounting fully for "missing households" (Nelson 2023).[23]

At the high end is a 2023 study by Aurand et al., (for the National Low Income Housing Coalition) reporting that the nation is short of up to 7.3 million homes that are affordable and available. This shortfall suggests that roughly 15 million Americans could gain improvement in financial security,

[20] https://www.freddiemac.com/research/insight/20210507-housing-supply.
[21] https://upforgrowth.org/apply-the-vision/housing-underproduction/.
[22] Defined as units within structures of 5 or more units.
[23] These are households that have not formed because of persons living with their parents or doubling up. The Pew Research Center, for instance, shows that whereas 29% of persons between the ages of 18 and 29 lived at home in 1960, that figure rose to 52% early in the COVID-19 pandemic. See https://www.pewresearch.org/short-reads/2020/09/04/a-majority-of-young-adults-in-the-u-s-live-with-their-parents-for-the-first-time-since-the-great-depression/.

health, educational opportunities, and economic mobility if these homes were available to them. It uses data from the 2021 American Community Survey Public Use Microdata Sample to analyze affordable housing needs across the U.S. as well as for states. Key findings include:

- There are only about 7 million affordable units for 11 million households with extremely low incomes. Of those 7 million affordable units, more than 3 million are occupied by households with higher incomes.
- The shortage of 7.3 million affordable and available rental homes is up 8 percent from 6.8 million in 2019.
- Among renters with extremely low incomes, about 2.6 million live in homes affordable to households with very low incomes, 3.5 million live in homes affordable to households with low incomes, and 1.3 million live in homes affordable to households with middle and higher incomes.
- Renter households with extremely low incomes spend more than 50 percent of their income on housing.
- The shortage of affordable rental units disproportionately affects Black, Hispanic and Indigenous households. While about 6% of white households have extremely low incomes, for Black households that share is 19%, for American Indian or Alaska Native renter households it is 17%, and for Hispanic households it is 14%.
- In all 50 of the largest metropolitan areas, more than 60 percent of renters with extremely low incomes are severely cost-burdened.

The demand research conducted for NMHC and NAA by Hoyt Advisory Services and Eigen10 Advisors, LLC (2022) found that the nation lost 4.7 million affordable housing units between 2015 and 2020.

In the face of rental housing shortages that could steepen if not addressed quickly with more supply, rent regulation has the perverse effect of reducing rental housing production for reasons discussed earlier. In addition, there are other factors at work that point toward the underlying causes for the existing housing shortage and can provide indications of solutions that could actually be successful.

Land Use, Regulatory Cost, and Property Tax Barriers Impede the Development of More Rental Housing

While there are many reasons for the observed underproduction of rental housing relative to demand, three are highlighted here: land use, regulatory cost, and local tax barriers. Approaches to addressing these barriers are also presented.

Land Use Barriers

There are numerous land use barriers impeding the production of rental housing, including:

- Insufficient supply of land zoned for apartments based on local market needs both in terms of location and at sufficient density to meet market needs (Nelson et al., 2017);

- Unreasonable yard, bulk, and height barriers that reduce the financial feasibility of apartments (Knaap et al., 2007); and

- Unreasonable conditions of development approval that reduce or eliminate financial feasibility of apartments, perhaps intentionally.[24]

Regulatory Cost

A joint study by the National Association of Home Builders and National Multifamily Housing Council (Emrath and Walter 2022) estimated that regulations of various forms added an average of 40.6% to the total development cost of apartments (see Figure 1). When multifamily development costs rise, the results are higher rents that reduce rental housing affordability (Emrath and Walter 2022), and fewer units.

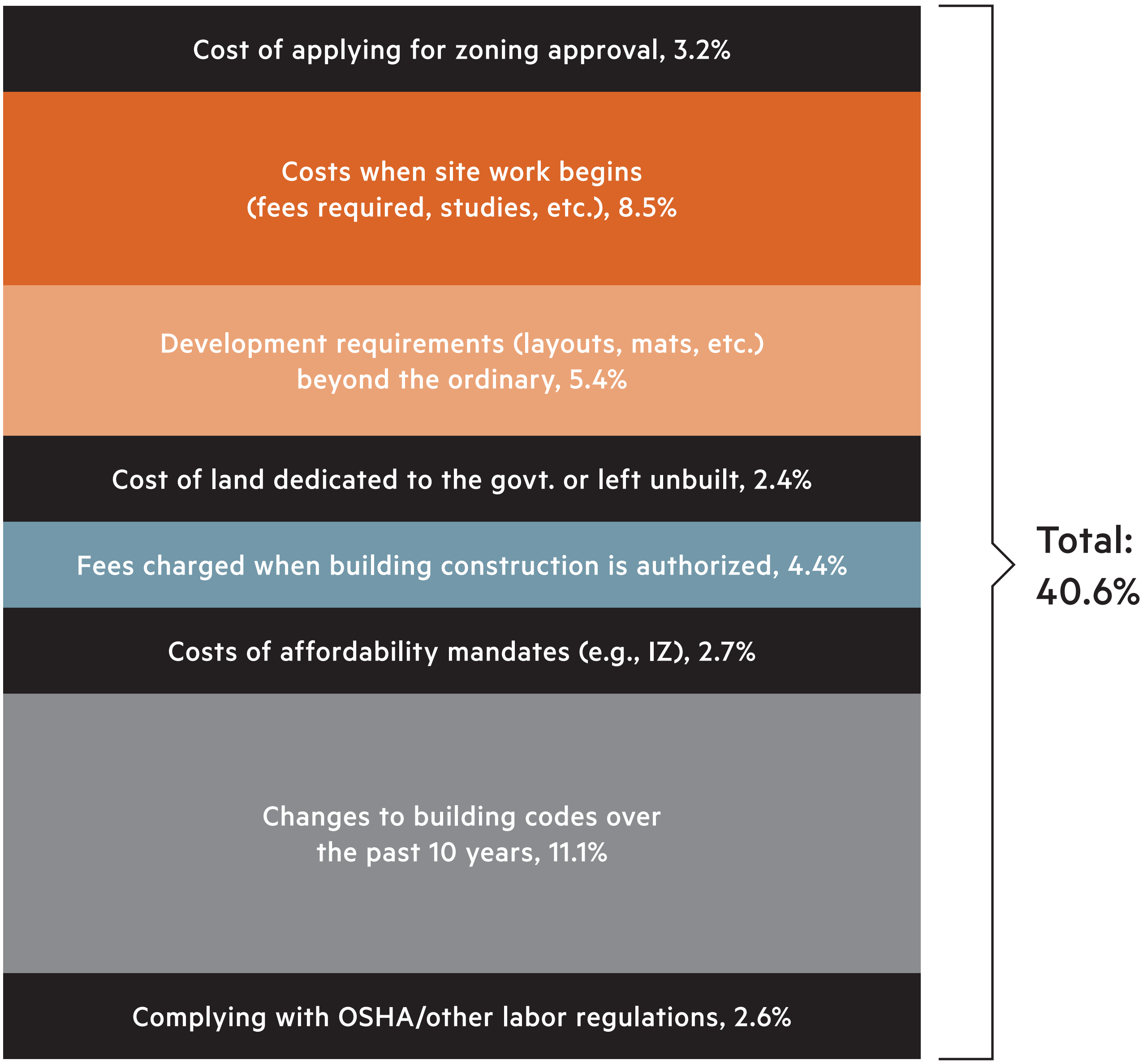
While most regulations are well-meaning, such as impact fees to mitigate the impact of new development on public facilities, their effect on housing production is often not considered (Nelson et al., 2009). Impact fees are calculated based on the proportionate share impact of new development on facilities (Nelson et al., 2023). For instance, if new single-family residential homes generate an average of 0.50 public school students at a cost of $10,000 per new "student station," the impact fee is $10,000 per new home. However, Nelson et al., (2023) have documented where local governments charge all residential units the same impact fee regardless of the variation in impact between different types and sizes of residential units. Thus, in the example above, studio apartments that average fewer than one person per unit after accounting for vacancy rates, and *no* students, are charged full school (and other) impact fees. Indeed, Nelson, Nicholas and Merriam (2022) have documented that the imposition of these one-size-fits-all impact fees are associated with significant reductions in apartment units permitted. Yet the elected officials of these same jurisdictions decry the lack of affordable housing in their communities.

[24] The author was an expert in a case where local zoning allowed apartments as a conditional use in higher-density single-family residential zones. The city approved the project subject to the installation of an inverted razor wire fence around the perimeter with a 24-7 manned gatehouse. As litigation was too costly to pursue, the developer withdrew plans and built single-family detached homes instead.

FIGURE 1

Average Cost of Regulation as a Percent of Total Multifamily Development Cost

Source: Emrath and Walter (2022).



Property Tax Barriers

Property taxes are the largest operating expense in operating a rental property and are largely not controlled by the property owner.[25] They are also the largest source of revenue available to local government.[26] In theory, they are progressive in the sense that as one's wealth increases so does one's ownership of real property subject to property taxes in increasing proportion to wealth. In practice, they are regressive, for two key reasons:[27]

- First, in most states, homeowners often receive a "homestead" exemption, which reduces the assessed value by which property taxes are assessed. With few exceptions, this is not extended to residential rental property.[28]

- Second, in some states, residential rental property is assessed at "commercial" tax rates, which are higher than owner-occupied tax rates, then passed along to the renter as part of their monthly rent payment.

On a national average basis, residential rental properties pay about 23% more in property taxes based on market value than owner-occupied houses (Lincoln Institute of Land Policy and Minnesota Center for Fiscal Excellence 2018).[29] In effect, on a national basis, the property tax is regressive, meaning that lower income rental households pay a higher share of their income for income taxes than higher income owner households. This is illustrated in Figure 2. As a result, renters also pay a higher rate for real estate taxes than homeowners through their rental payment given that they are passed along by rental housing providers and given the higher rate paid by commercial properties.

Cambridge, Massachusetts, provides just one example of how this taxation inequity hurts renters and increases the cost of rent. Recall that in 1994, voters in Massachusetts eliminated rent regulation, which had the effect of raising residential property values (see Autor, Palmer, and Pathak 2014). In Cambridge, the homestead exemption in fiscal year 2022 was $470,823, meaning that property taxes are assessed at only the increment above that amount.[30] In contrast, all apartment units are assessed full property tax rates, which amount to about 0.6% of market value. Thus, an apartment valued at $200,000 pays about $1,600 in property taxes, whereas an owner-occupied dwelling worth 2.5 times that pays nothing. Moreover, the revenue lost from the homestead exemption is shifted to all other property, including rental housing.

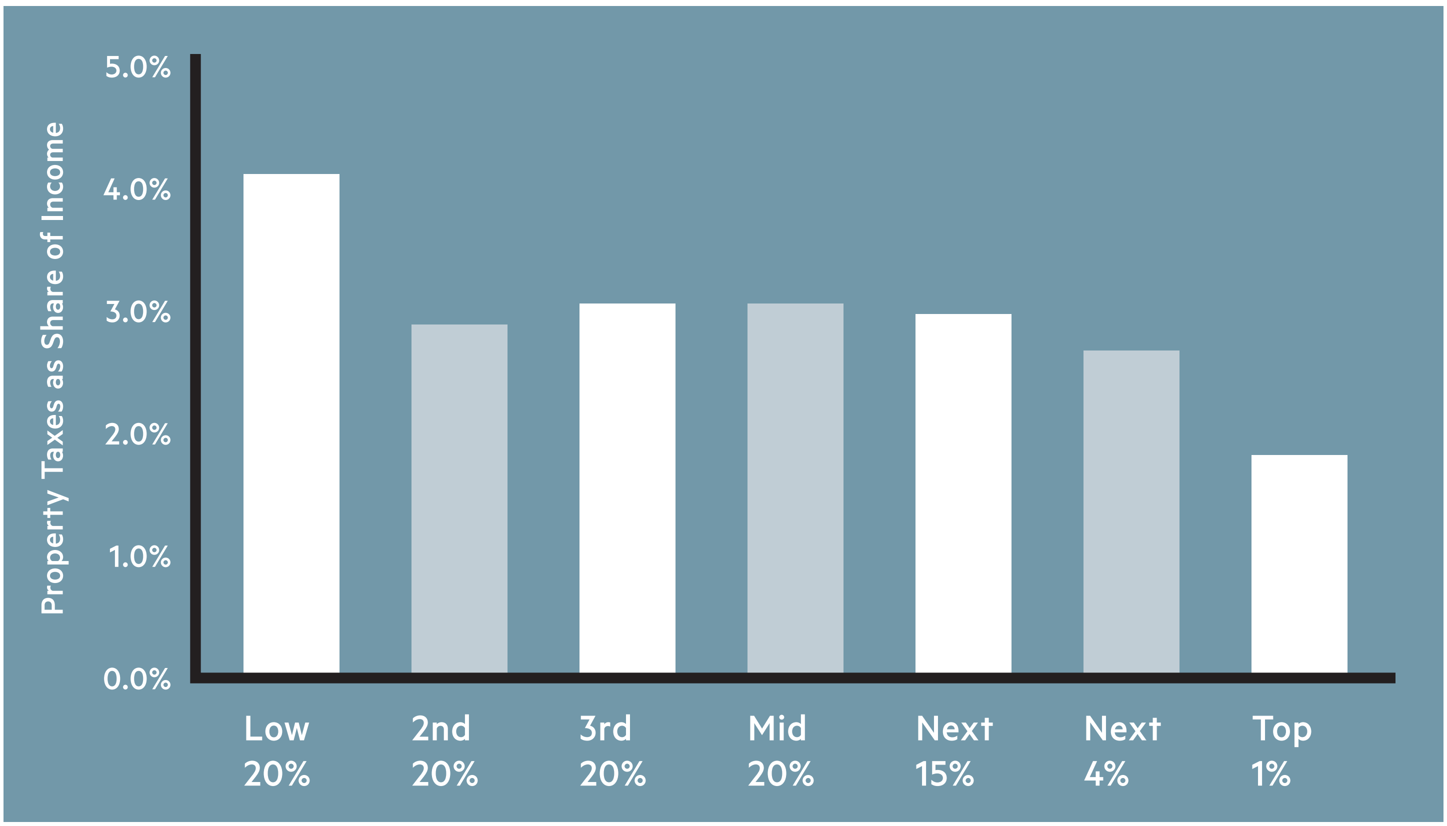
[25] As distinguished from debt service, cash throw off, and other finance arrangements.
[26] See data tables provided at https://www.census.gov/data/datasets/2021/econ/local/public-use-datasets.html.
[27] See https://itep.org/whopays/.
[28] See list of homestead exemptions for states and territories at https://www.assetprotectionplanners.com/planning/homestead-exemptions-by-state/.
[29] According to this study, the national average owner-occupied residential property tax rate for a home with an estimated market value of $600,000 was 1.495% in 2017 while the national average property tax rate for an apartment unit with an estimated market value of $200,000 was 1.834%.
[30] According to the Cambridge assessor Web site, scores of homes quality for zero property taxes.

This leads to an interesting question: If rental apartments were given the same reduction in assessed value for property tax purposes or tax abatement in Cambridge, how many more apartments might become more affordable? More importantly, how many more units would be built—assuming land use, building code and other factors were not barriers? Rents would logically decrease or stabilize, there would be more housing options for renters to choose from and the purported purpose for rent regulation eliminated.

FIGURE 2

U.S. States' Average Property Tax Regressivity

Source: Institute on Taxation and Economic Policy (2018), data files.



CONCLUSION

While rent regulation has been debated in this country and around the world for many decades, almost universally, the research shows that the real issue is that there is more demand than supply. This is especially true given our country's history of not providing sufficient financial investments and incentives to generate the construction of more needed rental homes, especially multifamily housing units.

Summary Observations

At its heart, rent regulation interferes with the market. The literature reviewed in this report points to multiple negative outcomes:

Rent Benefits Are Not Equitably Distributed Under Rent Regulation

The weight of the literature suggests that rent regulation does not benefit those of more modest means who may need the support. While a small number of rent-regulated residents enjoy substantial discounts from market-rate rents the longer they stay in the same place, the benefits are not evenly distributed or targeted. Long term, rent regulation does not reduce the cost of renting non-regulated units.

Rent Regulation Significantly Reduces Property Value and, In Turn, Tax Revenue to Local Communities

Based on the change in value of properties after rent regulations were removed, along with other indicators, the weight of the literature indicates that rent regulations reduce values of affected and nearby rental properties. As a result, they reduce tax revenue to communities that are used to pay for schools, parks and other community amenities.

Over Time, Rent Regulation Causes a Reduction in the Supply of Affordable Rental Housing in a Community

Because most rent regulation regimes create a fixed supply of regulated units at the beginning, the supply of rent-regulated units dwindles over time. However, the weight of the literature suggests that rent regulation accelerates this trend as landlords, limited in their ability to raise revenue to meet costs, take advantage of opportunities to increase the return on their investments through such means as: (1) condominium conversions (which can reduce total units when rental units are combined); (2) converting buildings into other uses; (3) vacating buildings because the costs of renovating for such things as code compliance are more than rents justify even if rents can be increased; (4) converting some units into short-term rentals if allowed locally; and (5) demolishing the building, among other actions.

Rent Regulation May Reduce the Likelihood of New Multifamily Construction

Even though new rental residential units are sometimes exempt from rent regulation, rent regulation disincentivizes the construction of new multifamily rental housing. On balance, rent regulations, when not applied to new construction, may have somewhat more limited impact on reducing the number of new units that would have been expected to be built.

Rent Regulation May Have More Negative Impacts on "Mom-and-Pop" Landlords

The San Francisco research suggests that small-scale "mom-and-pop" rent-regulated buildings do not have the options available to them that large-scale or institutional investors have, therefore, they are less likely to change the use or clientele of their buildings. But because they are less capitalized, mom-and-pops are more likely to incur deferred maintenance, which has the effect of lowering both rent, and value, as well as the housing quality for the renter.

Rent Regulation Does Not Generally Target Those Most In Need of Support

Rent regulation regimes do not include an income test, so anyone can rent such units. While rent regulation in some lower income communities supports a relatively small number of residents who are the purported target of the policy, research shows that white and middle/upper-income residents occupied rent-regulated units disproportionately. Rent regulations are thus an ineffective attempt to serve those most in need.

Rent Regulation Disincentivizes Mobility and May, In Turn, Limit Economic Opportunity

Rent regulation induces residents to stay longer in their units than may be effective. They may incur opportunity costs in not relocating to areas where economic opportunities would be improved.

Concluding Perspectives

Despite a large amount of mostly conclusive literature, rent regulation persists. Based on the lessons learned from the research on the flaws with rent regulation, the following are some principles that federal, state and local government can consider in crafting effective housing policies with a broader group of renters that truly need assistance:

- Determine eligibility for rental housing assistance programs by using means-based testing.

- Consider strategies that focus on the real issue, income, rather than housing affordability. For example, Cambridge, Massachusetts, had rent regulation until the state banned it in 1994. Research reported above notes that property values and, in turn, property tax revenue, increased following the change. Fast forward to 2023 when Cambridge implemented a guaranteed basic income program that provides $500 per month in unrestricted income to qualified households.[31] The program cost $22 million in 2023, or just about the same as the estimated increase...were removed in 1994. (Measured in 2023 dollars, the estimate increase in property tax revenue was actually signficantly higher.) To ensure that the right households are supported, a Cambridge-like basic income program might be crafted locally and has been considered by the City of Minneapolis and others.

- A key element of rent regulation is preventing perceived abuses of the eviction process by some landlords. While such abuses are not verified by the research reviewed, when combined with income means-testing, basic income, or other programs, non-payment evictions should be diminished greatly, providing more insight into other types of evictions.

- Rent regulations do not consider transportation cost savings in transit-rich areas. Literature clearly shows that accessibility to transit can generate meaningful savings to households that can be used to help pay for rent. The 30% of income benchmark for housing affordability was developed more than 50 years ago and needs to be refined to consider transit options, among other expenses impacting households today.

- Local land use and building code regulations need to be revisited to find ways in which to increase housing supply generally, and especially rental housing supply.

- States need to be called upon to help level the property tax playing field. In Utah, for instance, both owner and renter-occupied properties receive a 45% reduction in assessed value for property taxes. This does not extend to second homes or other short-term rental property.

[31] Rise Up Cambridge (cambridgema.gov)

The broad conclusion from this research is that rent regulation hurts renters seeking affordable rental housing, as it undermines housing supply for the very people whom it intends to serve. The reason for this is that, in the absence of sufficient rental stock to meet demand, rents rise, which fuels calls for rent regulation. But rent regulation can reduce aggregate housing stock available to lower-income residents, thus undermining housing affordability and opportunity. This can have the perverse effect of shifting demand to distant communities in the region where rent regulation does not exist and where transportation options, social services and job prospects are less abundant. The bottom line is that policies other than rent regulation are needed to bolster and not impede increasing the needed supply of rental housing, especially affordable units.

AUTHOR DISCLOSURE

The author discloses ownership of rental units not subject to a rent regulation regime although subject to state and city landlord/resident laws, further disclosing having never evicted a resident, and finally disclosing having never reset rent to the prevailing market until a vacancy occurred. The author additionally discloses *de minimus* ownership in other residential rental properties through investment portfolios managed by third parties.

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APPENDIX

Rent Control During and Between the Wars—1917-1950

This era extends from World War I (the Great War) through the Great Depression and a few years after the end of World War II.

When the Great War started[32], construction of all kinds nearly came to a halt. This led to lower vacancy rates and higher rents (Schaub 1920). Fogelson (2013) notes that in New York City, the housing vacancy rate fell to below 1 percent. As rents rose precipitously, rent strikes followed. With little federal, state or local appetite to intervene in the rental housing market, 82 cities created "Fair Rent" committees consisting of local officials, landlords, residents, labor and representatives from the general public. Although lacking the legal authority to do anything, they were able to negotiate resident-landlord conflicts. They also threatened landlords with higher taxes, removal from real estate boards and commissions, redoubled enforcement of health and building codes, and on occasion even with shutting off fuel supplies (Willis 1950; Pastor, Carter Abood 2018). But there was some government intervention during the Great War, nonetheless. New York's state legislature, under Republican control, passed a rent-control program that aimed at keeping rents accessible and limiting evictions (Fogelson 2013). Similar laws were passed elsewhere, including in Washington, D.C.

For many cities, including New York, the end of the Great War saw continued housing shortages, rising rents, and large scale eviction of residents. New York City adopted peacetime rent regulations that were in effect from 1920 to 1929—the nation's first true rent and eviction control laws. These regulations were seen as necessary to prevent "unjust, unreasonable, and oppressive" increases in rent (Keating, Teitz, and Skaburskis 1998:152). Eventually, New York declared the housing "emergency" over and ended rent control in 1929, just in time for the Great Depression. Yet New York City did not reinstate rent and eviction controls during the Great Depression. Instead, considerable social unrest ensued, such as the "Great Rent Strike War of 1932" in the Bronx where thousands of residents refused to pay rent (Lawson and Naison 1986). These efforts in the Bronx and elsewhere did not lead to rent control, but they did plant the seeds for WWII and post-war rent control policies.

[32] The author's grandfather was a veteran of the Great War, which is what he always called it until his death. He passed away before retirement age, likely attributable to being gassed in the war and having no post-war traumatic stress disorder treatment.

The second wave of wartime-related rent control swept most of the country during WWII. Fetter (2013) reports that over 80% of the nation's rental housing stock as of 1940 was placed under the jurisdiction of the Office of Price Administration (OPA) as part of the Emergency Price Control Act of 1942. The method of control used by the OPA was "maximum rent date," which became the base date for freezing rents through the war and for the next year. Fetter found that to escape federal rent controls, many owners of rental property sold their units to home buyers thereby reducing the rental stock. Indeed, the homeownership rate increased by 10% more than would be expected without the program. Fetter does not, and could not, provide a counterfactual assessment of outcomes without rent control, especially since material and labor was committed to the war effort. Moreover, he concedes that much of the increase in homeownership likely came from increased income and thus access to mortgages compared to the pre-war period.

The OPA was dissolved in 1947, but Congress enacted the Federal Housing and Rent Act to keep controls for buildings built before that year. Federal controls eventually ended in 1950. New York State enabled rent control authority for all cities in the state with New York City being the most prominent. While the nation's largest rent control effort was over, New York City's efforts, along with those of scores of other cities around the nation over the next several decades, crystallized policy debate on rent controls. This is the subject of the next section, which reviews the first generation of rent controls.

First Generation—Post-War Rent Control

This generation starts roughly when the Federal Housing and Rent Act ended in 1950, which is when New York State enabled rent control statewide. While New York City headlines this era (see McPherson 2004 for a detailed history of rent control and regulation in New York City), rent control is still in effect in parts of Albany, Erie (Buffalo), Nassau (Long Island), Rensselaer (Troy), Schenectady and Westchester (White Plains) counties.[33] Rent control is the older of the two systems of rent regulation, as it dates to the end of World War II and generally applies to buildings built before 1947. In New York City, rent control residents are usually in buildings built before February 1, 1947, and where the resident is in continuous occupancy prior to July 1, 1971.[34] Rent control limits rent increases to formulas and procedures. It also limits evictions and provides residents with essential services.[35]

[33] See https://www.pushbuffalo.org/wp-content/uploads/2019/06/Residents%E2%80%99-Rights-Guide.pdf.
[34] See https://hcr.ny.gov/rent-control.
[35] See https://hcr.ny.gov/rent-control.

This flavor of rent control drew the ire of no less than the venerable and Nobel Prize-winning economist, Milton Friedman, and his colleague George J. Stigler (1946). From their vantage point of 1946 when virtually all the housing stock in New York City was subject to WWII-like rent controls, Friedman and Stigler argued that rent controls would suppress new housing construction, induce landlords to neglect maintenance of existing units and result in aggressive eviction strategies by landlords to reset rents to market rate.

By 2023, however, New York City-style rent control affected fewer than 20,000 units.

Second Generation—Rent Stabilization

New York City is also a leader in regulating rent for housing stock that is not under rent control caps. Rent stabilization is used in New York City for qualifying apartments that are: in buildings comprising six or more units built between February 1, 1947, and December 31, 1973; built before February 1, 1947, with residents who moved in after June 30, 1971; or with three or more apartments constructed or extensively renovated on or after January 1, 1974, with tax benefits. Nassau, Rockland and Westchester counties also have rent stabilization programs. Local Rent Guidelines Boards set annual maximum rates for rent increases that are effective for one- or two-year leases.[36] Strictly speaking, even New York's early forms of rent control through hard caps has moved toward the rental stock stabilization model that applies to targeted units.

The 1970s saw similar rental stock stabilization ordinances pass in Boston, Cambridge, Washington, D.C., Los Angeles and San Francisco, as well as in several cities in housing supply-stressed areas of California, Connecticut, Massachusetts and New Jersey.[37] Arnott (1995) characterizes these as "soft" rent control and rent stabilization measures. Arnott observes:

> They entail a complex set of regulations governing not only allowable rent increases, but also conversion, maintenance, and landlord-resident relations. (These variations of) rent controls commonly permit automatic percentage rent increases related to the rate of inflation. They also often contain provisions for other rent increases: cost pass-through provisions which permit landlords to apply for rent increases above the automatic rent increase, if justified by cost increases; hardship provisions, which allow discretionary increases to assure that landlords do not have cash-flow problems; and rate-of-return provisions, which permit discretionary rent increases to ensure landlords a "fair" or "reasonable" rate of return. (Arnott 1995: 102).

While this form of rent stabilization applies to units, the next generation of rent stabilization applied to residents.

[36] Ibid, "pushbuffalo".
[37] I exclude examples of cities and counties in New York State noted in the post-war era because of overlap within many jurisdictions that also had rent control.

Third Generation—Vacancy Decontrol

Arnott (2003) characterizes the third generation of rent regulation as "tenancy rent control," which literature now characterizes as "vacancy decontrol" (Pastor, Carter and Abood 2018). Where rent control imposes a cap on rents and rent stabilization allows rents to increase based on formulas, vacancy decontrol allows landlords to reset rent often to the prevailing market; then when the unit is rented, it is subject to limits in rent increases.

Like the U.S., rent regulation regimes internationally thus evolved over time. Using a database assembled by Kholodilin (2020) covering 101 countries and states from 1910 to 2020, analysis shows a spike in restrictive policies, such as true rent control before the second world war. Post-war rent regulation saw rent control becoming more flexible or being eliminated, and along with that, housing rationing became less frequent. In their place arose rent and resident stabilization.

Some recent third generation rent regulation approaches are mostly to prevent rent gauging where landlords cap rents based on an index, such as the Consumer Price Index (CPI) plus an increment. Oregon, for instance, allows rents to increase by the lesser of 10% or 7% plus the CPI.[38] Oregon's law applies to all rental units in structures more than 15 years old. There is no research yet on outcomes. However, economic theory would hold that long-term rental housing production will be reduced in part because investment portfolios will include future rent regulation in the discounted cash flow valuation for new projects, thus lowering their value at an increasing rate for every year toward removal of the exemption, with the overall effect of reducing long-run supply.

Third generation rent regulation has dominated all efforts since about the 1970s. In a nutshell, they have these features in common:[39]

- **Inflation-based limit**: rents in controlled units are allowed to increase in line with inflation plus some additional percentage;
- **Vacancy decontrol**: rents are allowed to increase to market levels when a resident vacates a controlled unit; and
- **Exemptions for newer units**: units built after a certain date are exempt from regulation.

Overview of Current Practices

Local rent control and rent regulations plateaued for about a quarter of a century to the period just before the COVID-19 pandemic. At the end of the 2010s, nearly 200 cities and counties had rent regulation, but during the lull, more than 30 states banned the practice (Urban Institute 2019). Massachusetts voters outlawed rent regulations in 1994, thereby eliminating rent restrictions in such places as Boston and Cambridge.

[38] https://www.oregon.gov/das/oea/pages/rent-stabilization.aspx.
[39] For applications to specific states, see https://www.nmhc.org/research-insight/research-notes/2023/rent-control-vs-rent-stabilization-a-new-name-for-a-failed-concept/.

Even the California legislature forbade many forms of rent regulation through the Costa-Hawkins Rental Housing Act of 1995. This applied to units built after 1995. A California ballot measure in 2020 to remove this restriction failed.[40] To date, about 15 California cities have rent regulation systems in place consistent with the Costa-Hawkins restrictions.

It is interesting to note that of the two states where rent regulation was put to a statewide vote—California and Massachusetts, neither a stranger to liberal nor progressive policies—it was either outlawed statewide (Massachusetts) or limited to strict parameters (California).

The number of jurisdictions using rent regulations in New York State held about constant as noted above. Only New Jersey saw substantial increases in the number of communities engaging in rent regulation, reaching about 100 by the end of the 2010s.

Just before the COVID-19 pandemic in 2019, the Oregon legislature mandated rent regulation statewide. In the same year, Oregon also mandated the provision of "middle housing" on all parcels zoned for single-family detached residential uses—essentially prohibiting detached-only single-family homes.[41] These twin efforts aim to expand total housing supply while also protecting residents from sudden spikes in rent increases.

Other jurisdictions have been added to the list of rent regulations since the pandemic. In addition, as Favilukis, Mabille and Van Nieuwerburgh (2021) observe, local policymakers hope to overturn rent regulation preemption laws in many of the 36 states that have them. It seems that rent regulation is in expansion mode, although how it will play out is anyone's guess. In New Jersey, state law allows a wide range of annual rent adjustments; here are just a few:[42]

- Atlantic City: Percent increase of CPI
- Barnegat Township: 3.5%
- Bayonne: Percent of CPI, 5.5% maximum
- Bergen: 4%
- Camden: 5%
- East Orange: 5%
- East Rutherford: 5.5%
- East Windsor: 2.9%
- Hoboken: Percent of CPI
- Jersey City: Percent of CPI, 4% maximum
- Linden: Percent of CPI or 5% (whichever is lower)
- Newark: Percent of CPI, 4% maximum

[40] https://ballotpedia.org/California_Proposition_21,_Local_Rent_Control_Initiative_(2020).
[41] https://www.oregon.gov/lcd/up/pages/housing-choices.aspx.
[42] The extent to which some of these formulas changed because of inflation during 2022-23 is not known at this writing.

For its part, California limits annual rent increases to 5% plus the local CPI or 10%, whichever is lower[43] for those relatively few cities with these policies.[44]

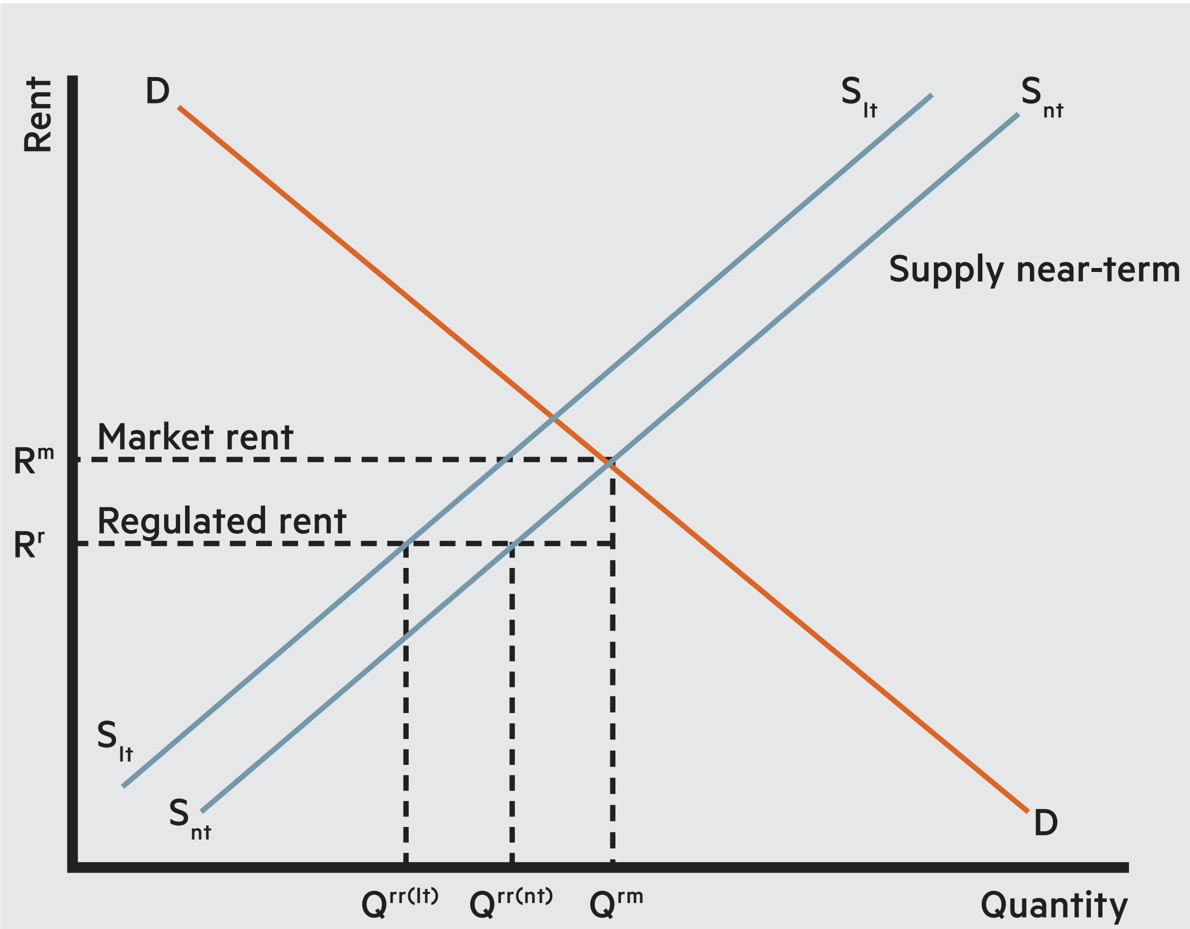
Figure 3 illustrates the short- and long-term effects of rent regulation applicable to the third generation. Recall that third generation rent regulations apply to older housing stock, meaning that new stock is exempt. (In Oregon there is a 15-year hiatus after construction before rent regulation applies.) Rent increases are based on a formula or subject to local review processes. However, in most cases, rent can be reset toward the market when the resident is replaced ("rent decontrol"). Because of rent regulations, residents will stay in regulated units longer than they would in a market-based unit. Landlord revenues will lag what market-based revenue would otherwise generate, meaning overall returns are reduced below competitive market levels—this is an opportunity cost incurred by the landlord. Over time, some landlords convert their units into condominiums, which may also involve combining smaller rental units into larger for-sale ones. Being unable to afford renovations of older stock, others will remove their units from the market. The net effect is that the supply of rent-regulated stock falls. This would not be an issue if the market replaced lost units, but that is not the case. Otherwise the market would have done so at the outset and rent regulation would not be needed.

In Figure 3, the interplay of these behaviors is illustrated. In the absence of rent regulation, an equilibrium is established between market rent, $\mathbf{R^m}$, and supply, $\mathbf{Q^{rm}}$. This does not mean that all niche or submarket needs are met but in aggregate needs are. Rent regulation applied to a submarket of units lowers rents to $\mathbf{R^r}$. Not all landlords agree to participate, so they convert their units or perhaps take them off the market. This reduces total near-term supply to $\mathbf{Q^{rr(nt)}}$. In the long term, even more units are removed from the market for reasons noted above. Supply falls further to $\mathbf{Q^{rr(lt)}}$. Because of the very dynamics that lead to housing underproduction in the first instance, the market does not replace lost units. The effect on non-regulated units is likely higher rents since overall supply has been reduced. (That relationship is not shown for brevity of illustration, but one can imagine the market rent line, $\mathbf{R^m}$, moving upward toward the Demand line, **D**, in both the near- and long-term scenarios shown in Figure 3).

[43] See Los Angeles Housing Department. "AB1482/State Rent Control."
[44] Berkeley, Beverly Hills, East Palo Alto, Hayward, Los Angeles, Los Gatos, Oakland, Palm Springs, San Francisco, San Jose, Santa Monica, West Hollywood.

FIGURE 3

Simplified near- and long-term effects of rent regulation



In the absence of rent regulation, an equilibrium is established between market rent, $\mathbf{R^m}$, and supply, $\mathbf{Q^{rm}}$. Rent regulation applied to a submarket of units lowers rents to **Rr**. Some landlords take their units off the market. This reduces total near-term supply to $\mathbf{Q^{rr(nt)}}$. In the long term, even more units are removed from the market for reasons noted in the text. Supply falls further to $\mathbf{Q^{rr(lt)}}$. But the market does not replace lost units. The effect on non-regulated units is likely higher rents since overall supply has been reduced.

First, there is the fear of eviction even without being evicted. Acharya, Bhatta and Dhakal (2022) used a survey of residents who were behind on their rent to investigate how the fear of eviction affected their well-being. Compared to the control population, residents who faced eviction within two months had a higher level of depression (59% vs 37%), anxiety (67% vs 43%) and prescription medication use (27% vs 24%). Adjusting for demographic features, household context and socioeconomic circumstances, the probability of depression, anxiety and medication use among the at-risk eviction group was significantly higher than in the control group. Acharya, Bhatta and Dhakal conclude that the mere threat of eviction is associated with elevated mental health problems and that addressing housing issues can reduce mental health burdens among residents generally and those facing eviction especially.

Then there is the absolute effect of eviction. In research on young adults who were evicted, Hoke and Boen (2021) found that evicted persons had more depressive symptoms and had lower health quality ratings, adjusting for numerous factors. Their level of social stress also increased. Hoke and Boen's results suggest that evictions in the U.S. threaten well-being among young adults with "especially devastating consequences for low-income individuals and communities of color" (Hoke and Boen 2021: 113732).

In their review of literature on evictions and well-being, Pastor, Carter and Abood (2018) found strong connections between such forced moves on stress in the form of anxiety, depression and related, and well-being in the form of substance abuse and early mortality among others. They also found that underlying drivers of housing insecurity affect poverty and unemployment. In another study, Burgard, Seefeldt and Zelner (2012) investigated how different causes of housing insecurity affected health and well-being. Those experiencing a forced move were 2.6 times more likely to report fair or poor health, 2.5 times more likely to experience anxiety and about twice as likely to be depressed compared to those with no housing insecurity. Moreover, studies show that evictions and foreclosures have greater adverse effects on women than men (Vásquez-Vera et al., 2017).

In a study of educational attainment associated with forced moves in Sweden, Kahlmeter (2020) found that while a single relocation had a small impact, repeated forced moves were associated with large and significant reductions in attainment. The Swedish study is useful in the U.S. context because the Swedish national school system is considerably less heterogeneric than the states, thereby aiding in controlling for various influences on measuring attainment. In the U.S.,. Gasper, DeLuca and Estacion (2012) show that frequent moves reduce high school graduation rates leading to lower incomes and well-being later in life.

NMHC

ABOUT NMHC

Based in Washington, DC, NMHC is a national association representing the interests of the largest and most prominent apartment firms in the U.S. NMHC's members are the principal officers of firms engaged in all aspects of the apartment industry, including ownership, development, management and financing. NMHC advocates on behalf of rental housing, conducts apartment related research, encourages the exchange of strategic business information and promotes the desirability of apartment living. Nearly one-third of Americans rent their housing, and almost 15 percent live in an apartment (buildings with 5 or more units). For more information, contact NMHC at 202/974-2300, email the Council at info@nmhc.org, or visit NMHC's Web site at www.nmhc.org.

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