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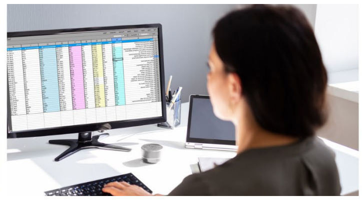


HEALTHY AND AFFORDABLE HOUSING

Fact Sheet

Rent Control and Stabilization

Overview

According to the U. S. Department of Housing and Urban Development, housing is considered “affordable” when the occupant dedicates 30% or less of their income to housing costs, including rent or mortgage payments and utilities.[1] Studies in recent years have found that nearly half of renters in the U.S. are “cost burdened,” spending more than 30% of their incomes on housing, and about one in four renters (almost 11 million people) spend more than 50% of their incomes on housing (“severe” cost burden).[2] Cost burden leaves struggling renters with less to spend on other important needs such as healthcare, often causing them to forgo or delay necessary medical treatment and landing them in the emergency department when their conditions are exacerbated due to lack of care.[3] A 2016 study found that when previously cost-burdened renters gained access to affordable housing, outpatient care increased, and emergency care decreased – leading to an overall 12% decrease in Medicaid costs.[4] In a 2019 survey of 500 medical professionals, 100% reported having patients express concerns about the cost of housing, and 92% of patients advised to reduce stress reported that personal finances were their biggest stressor.[5]

National median rent has been steadily increasing each year, with a sharper increase post-pandemic: from January 2021 to September 2021, national median rent increased 16.4%, compared to an average of 3.4% in that same nine-month period in 2017 through 2019.[6] The combination of these rapid rent price increases and slow wage growth nationwide suggests that intervention is necessary to make rental housing more affordable and to protect public health.

For about 100 years, rent control and rent stabilization policies have been used in the U.S. to stop or slow increases in the price of rent. The “control” and “stabilization” terms tend to be used interchangeably, though they refer to slightly different policy approaches. (When discussing rent control and stabilization together generally, they will be referred to as, among other things, “rent price restrictions”). Rent “control” freezes the price of rent between lease terms for continuous tenants, often allowing price increases only *between* tenants. Rent “stabilization” is a more moderate and popular form of rent price restriction that sets a cap on allowable price increases between lease terms, whether a tenant is continuously occupying the premises or a new tenant moves in. Allowable price increases are based on varying factors such as market conditions, property values, and inflation.

Rent control was the predominant policy to address housing affordability for several decades starting in the 1920s - following World War I and remaining prominent through the Great Depression, but losing popularity after World War II.[7] In the 1970s, the more moderate rent stabilization policies began emerging in coastal states.[8] Today, only California, the District of Columbia, Maryland, New Jersey, New York, and Oregon still have laws authorizing rent control and stabilization ordinances and/or jurisdiction-wide rent control.[9] In fact, most states have laws *prohibiting* rent control and stabilization policies.[10]

Rent control and stabilization policies benefit renters while they occupy price restricted units.

Rent price restrictions tend to provide significant financial benefit to those tenants living in price-restricted units.[11] These benefits are magnified when tenants remain in their rentals and renew their leases for long periods, especially in rent-controlled units where landlords cannot raise rent between leases, and in rent-stabilized units where allowable rent increases are lower between lease terms with continuous tenants than between tenants. This magnification of individual benefit can encourage tenants in price-restricted units to remain for longer periods of time – potentially leading to improved neighborhood stability and the associated health and social benefits.[12]

Rent control and stabilization policies only benefit occupants of price-restricted units while they occupy those units and, on balance, may do more harm than good.

Economists generally disfavor rent control and rigid stabilization policies.[13] Despite the benefit they can provide to renters occupying price-restricted units, these policies ultimately have a negative impact on housing stock and affordability of other rentals, availability of low-income housing for new renters and young families, and on rental unit conditions.

Housing stock tends to decrease in areas with price-restricted rentals, because landlords are incentivized to exempt themselves from the policies that limit their profit potential. They may choose to avoid restrictions by converting rental units into other types of real estate not covered by the restrictions such as condominiums or new builds, or by replacing old structures with new builds.[14] Doing so decreases the availability of affordable rentals in low-income areas and can drive up prices due to changes in supply and demand, displacing low-income families and fueling gentrification.[15] A 2019 study of rent control in San Francisco found that "rent-controlled buildings were 8 percentage points more likely to convert to a condo [or other exempt dwelling]" than buildings not included in the rent control policy, and that since the city's rent control policy went into effect in 1994, the supply of small multi-family rental housing decreased by 15 percentage points.[16] The authors concluded that the 1994 rent control policy was a major contributor to the high cost of living in San Francisco today.[17]

While rent price restrictions can be beneficial to current tenants, such restrictions can harm young low-income families and individuals searching for affordable housing. Tenants benefiting from price restrictions have little motivation to move out if their rent does not increase at all or only increases in small increments so long as they are occupying their units. Moving, even if their changing jobs, needs, or circumstances require it, could make them vulnerable to higher prices in unregulated markets. Young families or individuals looking for affordable rentals may be forced to compete for the price-restricted units as they slowly come available, dedicate a large portion of their incomes to more expensive rentals, or even to seek out alternatives such as crowding into homes with relatives or temporary shelters.

Research also shows that improving tenant affordability could diminish the maintenance and conditions of rentals, as landlords may be deterred from maintaining or investing in the quality of their properties when rent price restrictions limit their income potential.[18] This results in poorer and potentially hazardous conditions for low-income tenants without the means to take legal action or address the issues themselves. While in some areas, increased code enforcement and government subsidies have been employed as remedies with some success, they require extensive government resources and consequently, widespread and zealous political support.

Conclusion

While rent control and stabilization measures can have a positive impact on low-income renters while they occupy the price-restricted apartments, research has shown that the costs of these policy approaches outweigh the benefits in most cases. Although some research suggests that employing moderate rent stabilization policies coupled with additional measures, such as increased code enforcement and restrictions on landlords' ability to convert or sell their properties, can mitigate some of the negative consequences of rent price restrictions, these kinds of comprehensive reforms can be exceedingly difficult to design and implement.[19] Overall, alternative policy approaches for improving housing affordability such as implementing more flexible zoning systems and community land trusts are more likely than rent price restrictions to be favorable and effective in the long-term. Further discussion of these and other alternatives will be addressed in a subsequent Fact Sheet.

SUPPORTERS

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[1] U.S. DEP'T OF HOUSING & URBAN DEV., *Glossary of Terms to Affordable Housing* (last accessed Oct. 19, 2021), https://archives.hud.gov/local/nv/goodstories/2006-04-06glos.cfm.

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[7] Prasanna Rajasekaran et al., *Rent Control: What Does the Research Tell Us about the Effectiveness of Local Action?*, URBAN INST. (Jan. 2019), https://www.urban.org/sites/default/files/publication/99646/rent_control._what_does_the_research_tell_us_about_the_effectiveness_of_local_action_1.pdf.

[8] *Id*.

[9] NAT'L MULTIFAMILY HOUSING COUNCIL, *Rent Control Laws by State* (Sept. 2, 2020), https://www.nmhc.org/research-insight/analysis-and-guidance/rent-control-laws-by-state/.

[10] Rajasekaran et al., *supra* note - Should this be note 7?

[11] Rebecca Diamond et al., *The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco*, NAT'L BUREAU OF ECON. RESEARCH (Dec. 17, 2017), https://www.nber.org/system/files/working_papers/w24181/w24181.pdf

[12] *Id*.

[13] *Id*.

[14] *Id*.

[15] *Id*.

[16] *Id*., at 5.

[17] *Id*.

[18] Rajasekaran et al., *supra* note vii;- same as above. http://aagla.org/wp-content/uploads/2019/10/USC-Dornsife-Rent-Matters.pdf

[19] Manuel Pastor et al., *Rent Matters: What are the Impacts of Rent Stabilization Measures?*, USC DORNSIFE: PROGRAM FOR ENVTL. AND REG'L EQUITY (Oct. 2018), http://aagla.org/wp-content/uploads/2019/10/USC-Dornsife-Rent-Matters.pdf.