

RENT CONTROL MYTHS VERSUS REALITY: THE EVIDENCE ON UNINTENDED CONSEQUENCES

Excerpt from:

OUR HOMES, OUR FUTURE HOW RENT CONTROL CAN BUILD STABLE, HEALTHY COMMUNITIES

Rent control is the subject of a great deal of public debate, most of which does not focus on its direct impacts on tenants but on potential indirect effects or “unintended consequences.” Unfortunately, while some housing economists have called for an evidence-based approach to understanding rent control, the debate is heavily influenced by anti-rent control perspectives from the real estate industry, as well as “economics 101” theory that says any limit on prices will dampen incentives for building, reduce supply, and increase rents.¹ However, as economist Gary Painter notes, an equally valid economic theory is that in tight rental markets (where developers and landlords have market power), rent control can *increase* supply: if housing developers cannot generate extra profit through rent increases, it creates an incentive to build more units.² Evidence suggests this is the case in California, where overall production is too low, but cities with rent control are building far more apartments than cities without regulations.³

Researchers at the University of Southern California recently reviewed the literature and found clear positive impacts on tenant stability and affordability (as described in the next section), while the evidence for many negative unintended consequences is weak or inconclusive.⁴ Moreover, if there are negative effects, they can be mitigated by closing loopholes, strengthening other tenant protections, and other policies and investments.

RENT CONTROL DOES NOT DECREASE HOUSING PRODUCTION.

In general, other factors including overall market conditions and zoning have far more influence over new housing supply than the presence of rent regulations.⁵ Multiple longitudinal studies of rent control in New Jersey have found no discernible impact on construction rates.⁶ After the repeal of rent control in Boston, construction rates *decreased* for multifamily buildings, even as rents nearly doubled in eight years.⁷

RENT CONTROL IS NOT THE CHIEF CAUSE OF RENTS INCREASING IN NON-REGULATED UNITS,

and can even be protective against such increases. In Massachusetts (before it was abolished), California, and New Jersey, rent control either slightly increased affordability in non-controlled units or had no effect.⁸ One study of rent control in San Francisco found that landlords converting their buildings to condos or otherwise removing them from the rental stock led to a decline in supply and an increase in rents—suggesting that the problem is not rent control itself but loopholes that need to be closed.⁹

RENT CONTROL DOES NOT NECESSARILY LEAD TO DECLINES IN MAINTENANCE.

¹⁰ The empirical research is ambiguous on the relationship between rent control and building quality. In Boston and elsewhere, the loosening of rent control fueled gentrification and largely cosmetic building improvements.¹¹ Yet in New Jersey, rent control had no negative impact on plumbing, a critical health and safety issue.¹² When strong eviction protections are in place, rent control can provide tenants with leverage to attain improved conditions (see page 31). In Washington, DC, the share of physically deficient units quickly declined after rent stabilization and 61 percent of tenants said they were more willing to insist on repairs.¹³



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Notes:

1. Richard Arnott, "Time for Revisionism on Rent Control?," *The Journal of Economic Perspectives*; Nashville 9, no. 1 (Winter 1995): 99. For other housing scholars who have called for an interdisciplinary and empirical approach to rent control, or who have critiqued dominant economic analyses, see also: Peter Marcuse, "Housing Abandonment: Does Rent Control Make a Difference?" (Conference on Alternative State & Local Policies, 1981); W. Dennis Keating, Michael B. Teitz, and Andrejs Skaburskis, eds., *Rent Control: Regulation and the Rental Housing Market* (New Brunswick, N.J.: Center For Urban Policy Research, 1998); John I. Gilderbloom and Richard P. Appelbaum, *Rethinking Rental Housing* (Temple University Press, 1988); John Ingram Gilderbloom and Lin Ye, "Pros and Cons of Rent Control," in *Invisible City: Poverty, Housing, and New Urbanism* (Austin: University of Texas Press, 2008), 67–101; Hugh Grant, "An Analysis of Manitoba's Rent Regulation Program and the Impact on the Rental Housing Market," January 31, 2011, <https://r2hold.manitoba204.org/wp-content/uploads/2011/04/right-to-housing-rental-report-feb-2011.pdf>; Brett Christophers, "A Monstrous Hybrid: The Political Economy of Housing in Early Twenty-First Century Sweden," *New Political Economy* 18, no. 6 (December 1, 2013): 885–911; Justin Kadi, "Recommodifying Housing in Formerly 'Red' Vienna?," *Housing, Theory and Society* 32, no. 3 (July 3, 2015): 247–65; Elvin Wyly et al., "Displacing New York," *Environment and Planning A* 42, no. 11 (November 2010): 2602–23; Peter Dreier, "Rent Deregulation in California and Massachusetts: Politics, Policy, and Impacts" (Los Angeles, CA: Occidental College, May 14, 1997), http://scholar.oxy.edu/cgi/viewcontent.cgi?article=1325&context=uop_faculty; Andreas Novy et al., "The End of Red Vienna: Recent Ruptures and Continuities in Urban Governance," *European Urban and Regional Studies* 8, no. 2 (April 1, 2001): 131–44; Stephen Barton, "The Economics of Residential Rent Control," *Dollars & Sense*, February 2019.
2. Gary Painter, "No, Rent Control Doesn't Always Reduce the Supply of Housing," *LaTimes.com*, October 31, 2018, <http://www.latimes.com/opinion/op-ed/la-oe-painter-rent-control-economist-20181031-story.html>.
3. The three largest Bay Area cities with rent control (San Francisco, San Jose, and Oakland) have 27 percent of the region's housing but built 43 percent of the Bay Area's new multifamily rental units in buildings with five or more units since 2000. The city of Los Angeles has 42 percent of the housing in Los Angeles County, has built 62 percent of new multifamily rentals since 2000 (see Nicole Montojó, Stephen Barton, and Eli Moore, "Opening the Door for Rent Control: Toward a Comprehensive Approach to Protecting California's Renters," *Policy Brief* (Haas Institute for a Fair and Inclusive Society, 2018), http://haasinstitute.berkeley.edu/sites/default/files/haasinstitute_rentcontrol.pdf).
4. Manuel Pastor, Vanessa Carter, and Maya Abood, "Rent Matters: What Are the Impacts of Rent Stabilization Measures?" (Los Angeles: Program for Environmental & Regional Equity, 2018), https://dornsife.usc.edu/assets/sites/242/docs/Rent_Matters_PERE_Report_Final_02.pdf.
5. Additionally, in other countries such as Austria and Sweden, governments have successfully combined rent control with massive investment in public and non-profit housing construction. John I. Gilderbloom and Richard P. Appelbaum, *Rethinking Rental Housing* (Temple University Press, 1988); Timothy L. Collins, "Rent Regulation in New York: Myths and Facts," 2009, <https://drive.google.com/file/d/1Lo6qeKjEqZ03RUo9tSLyUvABsScrn9Mz/view?usp=sharing>; Kenneth Baar, Patrick Burns, and Daniel Flaming, "San Jose ARO Study: Final Report," *Final Report* (Economic Roundtable, April 2016), <https://www.sanjoseca.gov/DocumentCenter/View/55649>; Justin Kadi, "Recommodifying Housing."
6. As have studies in the Bay Area, Berkeley, Los Angeles, Washington DC, and elsewhere. Ambrosius, Joshua D. et al., "Forty Years of Rent Control: Reexamining New Jersey's Moderate Local Policies after the Great Recession," *Cities: The International Journal of Urban Policy and Planning*, no. 49 (August 14, 2015): 121–33; John I. Gilderbloom and Lin Ye, "Thirty Years of Rent Control: A Survey of New Jersey Cities," *Journal of Urban Affairs* 29, no. 2 (2007): 207–20; John I. Gilderbloom, "Moderate Rent Control: Its Impact on the Quality and Quantity of the Housing Stock," *Urban Affairs Quarterly* 17, no. 2 (December 1981): 123–42; Miriam Zuk, "Rent Control: The Key to Neighborhood Stabilization? | Urban Displacement Project," September 9, 2015, <http://www.urbandisplacement.org/blog/rent-control-key-neighborhood-stabilization>; Planning & Development Department, "Rent Control in the City of Berkeley, 1978 to 1994: A Background Report" (Planning & Development Department, City of Berkeley, May 27, 1998).; Kenneth Baar, Patrick Burns, and Daniel Flaming, "San Jose ARO Study: Final Report," 177; Keating, Teitz, and Skaburskis, eds., *Rent Control*.
7. David W. Chen, "When Rent Control Just Vanishes; Both Sides of Debate Cite Boston's Example," *The New York Times*, June 15, 2003, <https://www.nytimes.com/2003/06/15/nyregion/when-rent-control-just-vanishes-both-sides-of-debate-cite-boston-s-example.html>; Collins, "Rent Regulation in New York"; Dreier, "Rent Deregulation in California and Massachusetts."
8. David P. Sims, "Out of Control: What Can We Learn from the End of Massachusetts Rent Control?," *Journal of Urban Economics* 61 (2007): 129–51; Edward L. Glaeser, "Does Rent Control Reduce Segregation?," *Swedish Economic Policy Review* 10 (2003): 196–97; Ambrosius et al., "Forty Years of Rent Control."
9. The USC researchers note that the pressures driving up rents in San Francisco in recent years are so severe that it could be the case that the increase in rent costs could have been even higher in the absence of rent control. Rebecca Diamond, Timothy McQuade, and Franklin Qian, "The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco" (January 8, 2018). For another critique, see Tenants Together, Dean Preston, and Shanti Singh, "Rent Control Works: A Response to Business School Professors' Misguided Attacks" (Tenants Together, March 12, 2018), <https://medium.com/@tenantstogether/rent-control-works-a-response-to-business-school-professors-misguided-attacks-1305d9770ff7>.
10. Margery Austin Turner, *Housing Market Impacts of Rent Control: The Washington, D.C. Experience* (Urban Institute, 1990), 75, 86, <https://archive.org/details/housingmarketimp00turn>; John I. Gilderbloom and Lin Ye, "Thirty Years of Rent Control"; John I. Gilderbloom, "Moderate Rent Control"; Edgar O. Olsen, "What Do Economists Know About the Effect of Rent Control on Housing Maintenance?," *Journal of Real Estate Finance and Economics* 1 (1988): 295–307; Daniel Flaming et al., "Economic Study of the Rent Stabilization Ordinance and the Los Angeles Housing Market" (Los Angeles: Economic Roundtable; Los Angeles Housing Department, 2009), 17, https://economicrt.org/wp-content/uploads/2009/08/Economic_Study_of_the_RSO_2009.pdf; Collins, "Rent Regulation in New York"; Peter Marcuse, "On Rent Controls," *New York Times*, August 1, 1981, <https://www.nytimes.com/1981/08/01/opinion/on-rent-controls.html>; David Bartelt and Ronald Lawson, "Rent Control and Abandonment: A Second Look at the Evidence," *Journal of Urban Affairs* 4, no. 4 (September 1, 1982): 49–64; Nandinee K. Kutty, "The Impact of Rent Control on Housing Maintenance: A Dynamic Analysis Incorporating European and North American Rent Regulations," *Housing Studies* 11, no. 1 (January 1996): 69; Lisa Sturtevant, "The Impacts of Rent Control: A Research Review and Synthesis," (National Multifamily Housing Council Research Foundation, May 2018), <https://www.nmhc.org/globalassets/knowledge-library/rent-control-literature-review-final2.pdf>.
11. For example, David P. Sims, "Out of Control." In Boston, loosening controls did not significantly improve functional maintenance, even as cosmetic repairs increased.
12. Gilderbloom and Ye, "Thirty Years of Rent Control"; Gilderbloom, "Moderate Rent Control."
13. The rent-controlled units were actually less deficient than non-controlled units, despite being less expensive: 20 percent of rent-stabilized units were deficient, compared to 25 percent of non-controlled units. Of 3,600 renters surveyed, 80 percent said that building maintenance was as good or better than it had been in the absence of rent stabilization; low-income renters, especially, said rent regulation made them more willing to insist on repairs. Turner, *Housing Market Impacts of Rent Control*, 75, 86.