



Independent Research. Poverty Solutions. Better DC Government.

**Testimony of Ed Lazere, Executive Director
At the Public Hearing on Bill 23-433,
The “Rental Housing Act Extension Amendment Act of 2019”
DC Council Committee on Housing and Neighborhood Revitalization
November 13, 2019**

Chairperson Bonds and other members of the Committee, thank you for the opportunity to testify today. My name is Ed Lazere, and I am the Executive Director of the DC Fiscal Policy Institute. DCFPI is a non-profit organization that promotes budget choices to reduce DC’s economic and racial inequities and build widespread prosperity in the District of Columbia, through independent research and policy recommendations.

For nearly 30 years, I have benefited from price-controlled housing in DC, not in a rent-controlled apartment but as a homeowner in Brookland with a fixed mortgage. That allowed me to raise two children in the same home and community and gave my family security and stability. I also benefited greatly from a predictable mortgage payment that did not change from year to year, even as my home doubled, tripled, and quadrupled in value. If my mortgage payment had increased at that rate, my family’s housing and financial stability would have been threatened.

That kind of stability is important to all DC residents, especially renters, and that is why the DC Fiscal Policy Institute supports meaningful rent control in the District. I am here today to support the Reclaim Rent Control platform, in recognition that DC’s rent control badly needs to be updated and reformed. With current policy that exempts buildings built after 1976, the reach of rent control shrinks with every year. With clear abuses of rent control provisions such as voluntary agreements, even the limited reach of DC’s rent control is undermined. And with rent increases that grow beyond inflation, our current rent control policies make housing increasingly out of reach for residents who rely on public benefits and those forced to live on low wages.

The Many Benefits of Rent Control

Rent control provides housing and community stability for a wide range of households, most of them low- or moderate-income, and plays an important complement to affordable housing programs. It is worth noting that by limiting rents landlord can charge, rent control also runs the risk of adverse effects, such as landlords who don’t maintain their units or who actively work to remove tenants. Successful rent control therefore requires, on one hand, provisions to ensure that landlords can make a reasonable profit, and on the other hand, provisions that limit loopholes that would allow landlords to evade the program. A 2018 review of rent control policies suggested that finding such a sweet spot is possible, concluding that “rent regulations are one tool to deal with sharp upticks in rent. They have less deleterious effects than is often imagined—particularly if we are

talking about more moderate rent stabilization measures—and they do seem to promote resident stability and can therefore help to slow the displacement dimension of gentrification.”¹

Research shows that rent control supports its intended goal of household and community stability and that it can play a role in preventing displacement amidst gentrification pressures. Tenants living in rent-controlled units move less frequently and are less likely to experience destabilizing forced moves, and they experience higher rates of physical, social, and psychological wellness. Forced moves, evictions, and the stress attached to these experiences are correlated to higher rates of anxiety, depression, and substance abuse. Frequent moving can disrupt children’s learning and social support systems. Students who repeatedly change schools are more likely to lag behind peers in reading and math. On the other hand, research shows that people who have not moved in the past three years are less likely to experience poor health and anxiety attacks than those who have. Housing stability is correlated to greater educational attainment.

Rent control also appears to play a role in slowing displacement amidst gentrification. Research on rent regulation in Cambridge, Massachusetts found that it held down rents in both controlled and non-controlled units and that subsequent elimination of rent regulations led to rent increases in both controlled and non-controlled units.² Researchers offer several possible explanations. First, by controlling rents for a notable share of homes, the wholesale change in both housing and neighborhood amenities that comes with gentrification is less possible. Second, researchers note that controlled neighborhoods tend to be lower-income and have more people of color than non-controlled neighborhoods, making the neighborhoods less desirable for higher-income and white residents. Third, residents may be unwilling to pay high rents in rent-controlled neighborhoods knowing that lower-cost options are possible when rent controlled units turn over.

A third impact of rent control is tamping down the huge spikes in land values that can occur when a particular neighborhood becomes popular. This is one of the most important reasons for rent control. Much of housing value comes not from its physical qualities, but from forces out of the owner’s control, such as proximity to the water or to businesses. Changes in neighborhood characteristics, such as a new Metro stop or changes in neighborhood popularity for other reasons cause land values to raise disproportionately. Certainly, the dramatic increase in my home’s value has little to do with what I have done to maintain the property.

Volatile land values tied to changes in a neighborhood’s desirability enable landlords to gain excess to profits without making improvements to buildings or units. Rent control contributes to more stable land values from neighborhood to neighborhood and tamps down the sharp increases in land values that come from waves of development, like gentrification. This means rent control reduces the excess and unearned profits that some landowners get when their land is in an increasingly desirable area, and instead helps the people who rent housing on that land.

Rent control provisions that allow landlords to make reasonable profits, while limiting opportunities for outsized profits tied to large rent increases that destabilize and displace communities also have the potential to encourage “high road” landlords to play a larger role in our housing market. Within every industry, there are businesses that succeed through a high-road approach versus a low-road approach. In retail for example, some companies like Costco provide relatively high wages and benefits and in return get productive workers and low turnover. A low-road employer pays lower wages and benefits but suffers from lower productivity and higher turnover. The reality is that

businesses can succeed either way, which means public policy should push the high-road approach as much as possible. Rent control is a high-road approach.

The Strengths of the Reclaim Rent Control Platform

The Reclaim Rent control campaign aims to restore DC's rent control to the strength it once had, while maintaining provisions that allow landlords to make a reasonable return. Several provisions are worth highlighting.

- **Including buildings built in more recent years.** The original rent control law included a compromise that covered buildings built before 1976 but none built after that. This kind of provision made sense to ensure that rent control does not discourage new housing construction. But keeping the 1976 demarcation point means that the pool of rent control units continually shrinks as buildings age and ultimately are torn down. Changing rent control to cover some buildings built after 1976 makes point. The Reclaim Rent Control platform accomplishes this by exempting all buildings for their first 15 years but then covering them by rent control.
- **Keeping Rent Increases Affordable.** Public benefits like Social Security increase only with inflation. And wages for low-wage workers in DC have barely kept up with inflation in recent decades. In this context, rent control policies that allow rents to rise 2 percent beyond inflation mean that even rent controlled units become increasingly unaffordable year after year. The Reclaim Rent Control platform calls for rent increases tied just to inflation.
- **Closing Loopholes:** Ensuring the success of rent control requires provisions that close loopholes such as the voluntary agreement process, which was originally intended to allow tenants to agree to rent increases in return for certain benefits. It has instead become a tool to pit current tenants against future ones, by offering current tenants stable rents in return for allowing sharp rent increases in vacant units. This was never the intent of rent control and is a pernicious way to erode rent control. DC's reauthorization of rent control should close this loophole.
- **Limiting Increases on Vacant Units:** The reauthorization of rent control should eliminate rent increases when units become vacant, as called for in the Reclaim Rent Control campaign. Both research and common sense show that allowing sharp increases when units become vacant will over time lead to sharp increases in a building's rents. Beyond that, rent increases tied to vacancies contribute to landlord behavior to force out existing tenants.

Thank you for this opportunity to testify. I am happy to answer any of your questions.

¹ Pastor, Manuel, Vanessa Carter, and Maya Abood, *Rent Matters: What Are the Impacts of Rent Stabilization Measures*, USC Dornsife Program for Environmental and Regional Equity, October 10, 2018.

² Autor, David H., Christopher J. Palmer, and Parag A. Pathak.. "Housing Market Spillovers: Evidence from the End of Rent Control in Cambridge Massachusetts." Working Paper 18125. National Bureau of Economic Research, 2012.