



# ISSUE BRIEF

## RENT CONTROL

Rent regulation policies, generally known as *rent control*, are government-enforced limits to the price that can be charged in rent for private, market rate rental housing. This can also take the form of *rent stabilization*, or *rent caps*, which limits the amount that rent can be increased each year.

All rent regulation poses as an artificial and arbitrary interference in the rental industry. These policies destabilize the market and hurt the local economy.

### Reduced quality

Rent control limits the ability for owners and investors to make a profit. This is particularly harmful to small, “mom-and-pop” landlords whose profit margins tend to be very thin. If these owners see their revenues drop, they may have to reduce maintenance on their property which will decrease the quality of units in the area.

### Decreased supply

In a worst-case scenario, operating rent-controlled rental housing becomes unprofitable, and owners will be forced to convert their properties into condominiums or otherwise take their property off the rental market. Further, new units are less likely to be developed with rent control policies in place. Developers and investors will simply take their business to other jurisdictions. By distorting the natural forces of supply and demand, rent control worsens the current shortage of housing felt in many municipalities across the country.

### Other consequences

- Economists are in near-universal agreement that rent control decreases housing supply
  - To compensate for the lack of supply, non-controlled units will increase in cost.
  - This causes aggregate rent costs across the city to increase.
- The assessed value of existing property decreases, significantly reducing the property tax.
  - Non-controlled properties also decrease in value.
- A large and expensive bureaucracy must be created to enforce the policy.
- The community loses the large economic activity, job creation and wages created by housing development, rehabilitation, and maintenance.
- Rent control is not targeted at low-income renters and the wealthy often get the most benefits.

### Positive alternatives to rent control

- Rental assistance for low-income renters.
- Property tax credits for affordable housing providers.
- Reduced regulatory impediments to constructing affordable housing.
  - Land use and zoning laws like minimum lot sizes and maximum density regulations increase the cost of housing development which is ultimately passed on to residents.
- Provide tax incentives, grants, or other funding opportunities to build affordable housing.

### POSITION STATEMENT

Rent control distorts the housing market by acting as a deterrent and disincentive to develop rental housing, and expedites the deterioration of existing housing stock.

### CASE STUDY

- After St. Paul, MN passed rent control in November of 2021, new building permits immediately fell 80% compared to a year prior.
- Independent economic research found that rent control was more likely to benefit the wealthy at the expense of the low-income and minority households.