

## Rent Control National Momentum

In response to multiple news and industry reports that many urban areas in the United States are suffering a crisis in affordable housing, many states and cities are actively considering rent control as an ameliorative measure. While the nature and level of rent control initiatives vary by locality, 2020 presidential candidate Bernie Sanders has unveiled a national rent control policy as part of his platform.

The response is not entirely unfounded: The growing evidence suggests that (1) the lowest-income renters increasingly outnumber the supply of units they can afford, (2) low-rent stock in most metropolitan areas has declined substantially since 2011 and (3) housing affordability has dropped from 77.5 percent in 2012 to 56.6 percent in 2018.

Governments possess a number of options to address affordable housing. First, by changing building codes and land use restrictions. As more economical building practices or higher density is allowed, pricing should adjust down. Second, by providing housing subsidies directly to consumers. This measure lifts consumers' purchasing power and brings more of the existing housing stock within reach. Section 8 vouchers are a prominent example. Third, by becoming landlords themselves and renting units at sub-market rates. Think XYZ Housing Authority. And, finally, by instituting rent control policies that limit market rents. Historically, resort to the latter measure has been rare with governments relying more heavily on the former three mechanisms. Recent developments indicate that this historic practice may be changing.

This issue seemed to reach a breaking point in 2019, when a flood of new legislation and ideas around housing peppered the public discourse to an unprecedented degree:

- Oregon became the nation's first state to enact, on an emergency basis, a statewide rent control law, capping annual rent increases to 7 percent, (plus CPI), or roughly 10 percent per year in today's environment. The Oregon law exempts new construction for 15 years, and landlords may raise rent without any artificial cap if renters leave of their own volition.
- California followed Oregon's lead by enacting a statewide rent control measure limiting annual increases to 5 percent (plus CPI), or roughly 8 percent per year in today's environment, through January 1, 2030. Like Oregon, California exempts new construction for 15 years and it exempts cities, such as Los Angeles, Oakland, and San Francisco, which have long-held more restrictive rent control measures in place.
- The entire District of Columbia is under rent control.
- The states of New York, New Jersey, and Maryland permit cities to enact local rent control ordinances and dozens of cities within New York and New Jersey have passed rent control measures.
- In New York, lawmakers are backing a package of rent reform bills that would, among other things, expand rent control regulations.
- Massachusetts is now considering a return to rent control after Massachusetts voters repealed that legislation in 1994.
- In Illinois, housing activists and voters supported a resolution urging Illinois lawmakers to end the state's 22-year old ban on rent control and to create six regional rent control boards around the state.
- In Colorado, housing activists seek to overturn a 30-year old ban on rent control.



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- In Minneapolis, the city council has discussed passage of rent control measures fresh on the heels of a revolutionary zoning law change that eliminated single-family zoning city-wide.
- In Philadelphia, home to more than 300,000 rental units, a new city council member introduced a resolution calling for hearings on rent control.
- Legislators in the state of Washington almost succeeded in repealing the state's ban on rent control in 2018.

Clearly, this issue is heating up at local, state, and national levels. With dialogue concerning rental costs and homelessness increasing at seemingly exponential rates, we foresee little reason to believe this trend will subside in the near future. Indeed, the National Multifamily Housing Council reports that more than 50 percent of all apartments in the United State are currently at risk of coming under new rent control regulations.

Consequently, we encourage all of our multifamily property owners to carefully monitor this rent control groundswell. While advocates and opponents debate the ethical and macroeconomic implications of these measures on affordable housing, we recognize that the return on investment for our multifamily owners may be adversely impacted.

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