

Statement of
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* The views expressed are my own and should not be attributed to the Urban Institute, its trustees, or its funders.

Good morning, and thank you for allowing me to testify here today. I am Mychal A. Cohen, and I am a research analyst at the Urban Institute, a leading research organization dedicated to developing evidence-based insights that improve people's lives and strengthen communities. The views I express today are my own and should not be attributed to the Urban Institute, its trustees, or its funders. My research focuses primarily on affordable housing.

The Metropolitan Housing and Communities Policy Center at Urban has published a significant body of research on the pressing housing needs facing the city and region. The recent report *Meeting the Washington Region's Future Housing Needs* projects that the DC region would need 374,000 additional housing units by 2030 at current growth rates (Turner et al. 2019). To prevent displacement, most of these units would need to be affordable to households with low and moderate incomes. Further, data from the Urban–Greater DC database (<https://greaterdc.urban.org/>) show the city's ongoing loss of Black families; the share of non-Hispanic Blacks dropped from 65 percent in 1990 to just 47 percent in 2012–16. The city needs affordable housing solutions, and, as the regional framework for housing indicates, no one silver bullet can solve these needs. My testimony will focus on the evidence concerning one solution—rent control—within the context of DC's unique policy environment.

Rent Stabilization's Effect on Rents and Stability

What does the evidence say about the basic premise of rent stabilization: Does it successfully lower rents, and are families more likely to be able to remain in place? The evidence is fairly clear that rent stabilization lowers rents for people in stabilized units (Gyourko and Linneman 1989; Fallis and Smith 1984; Sims 2007; Autor, Palmer, and Pathak 2014). Research on vacancy provisions finds that allowing rents to be raised during periods of vacancy undermines the rent-decreasing effects of stabilization (Nagy 1997). Families that live in these units are less likely to move or be displaced than residents in uncontrolled units (Nagy 1997), a finding supported by three recent empirical studies of rent control policy changes in San Francisco (Diamond, McQuade, and Qian 2018) and Cambridge (Sims 2007; Autor, Palmer, and Pathak 2014). In San Francisco, residents of rent-controlled buildings were about 20 percent less likely to move or be displaced than residents of uncontrolled buildings.

Rent Stabilization's Effect on Housing Supply

There are two main concerns with rent stabilization's effect on housing supply: that it constrains supply by discouraging new construction and that landlords respond by taking units out of the rental market (Diamond 2018). With either outcome, the argument is that rent control actually leads to higher rents for all residents in uncontrolled buildings, as landlords charge higher prices for a smaller pool of units.

DC's current legislation does not apply to new buildings, so it is unlikely to directly affect new housing supply. Empirical studies of rent stabilization laws that exclude new buildings, including one of DC's rent control legislation by the Urban Institute, suggest no effect on new supply of housing units (Early and Phelps 1999; Gilderbloom and Ye 2007; Turner 1990).

The more likely concern is that rent stabilization will induce landlords to remove new units from the housing stock, by either demolishing buildings for new construction or converting rental units to owner-

occupied condominiums. Indeed, the empirical study of San Francisco found that rent-controlled units were 10 percent more likely to be converted by landlords (Diamond, McQuade, and Qian 2018). A study of deregulation of rents in Boston found that rent control correlated with shifts from rental to owner units (Sims 2007). Both studies indicated that these reductions in the rental housing supply increased the costs for uncontrolled rental units. However, legal provisions that make it harder to conduct condo conversions or that give renters the opportunity to purchase a building, such as TOPA and DOPA, would likely mitigate the negative supply effects of rent stabilization. Cambridge, where rent control legislation and laws making it harder to convert a building were repealed around the same time, saw a 32 percent increase in condo conversions (Autor, Palmer, and Pathak 2014; Rajasekaran, Treskon, and Greene 2019). This suggests that it is possible to reduce loss of supply through policy interventions.

Rent Stabilization's Targeting and Impact

Rent stabilization is generally not a targeted intervention. A broad range of evidence indicates that people all along the income spectrum access rent-stabilized units (Gyourko and Linneman 1989; Olsen 1972; Turner 1990). Rent stabilization likely leads to some mismatch between households with the highest need and those who are able to access stabilized units, particularly in income and family size (Gyourko and Linneman 1989; Linneman 1987; Turner 1990). This does not mean that households most likely to face displacement do not benefit from rent stabilization. Evidence from San Francisco suggested that elderly, long-term residents, and people of color who were current residents experienced the strongest positive effects of the legislation, and would likely have been displaced without rent stabilization (Diamond, McQuade, and Qian 2018). The evidence suggests that rent stabilization policies will likely benefit both households who would not be able to afford more expensive rents and those that could, but that the households experiencing the most marginalization stand to benefit the most. Other interventions, such as increasing housing subsidies, are likely to be much more targeted interventions for people with the most need; but to cover the same number of units as rent stabilization (potentially 79,000 units as of 2011) these interventions would need to be scaled up immensely and at significant fiscal cost.

Conclusion

Rent stabilization in DC is best thought of as one of the city's several tools to create and preserve affordability. Although inefficient at targeting households with lower incomes, rent stabilization policies without loopholes—such as vacancy increases or voluntary agreements—successfully maintain rents for households in controlled units and significantly benefit long-marginalized populations, such as the elderly, long-term residents, and people of color.

Rent stabilization likely decreases rental unit supply by encouraging condo conversions; this should be considered within the network of DC protections. The city has tools for preventing loss of affordability through TOPA and DOPA, protecting renters from eviction through Just Cause Eviction legislation, and ensuring residents are living in well-maintained units through DCRA inspections. Such protections should be scaled up to ensure continued access to affordability. DC should seriously

consider investing in better data on rents for all units, and tracking rent-controlled units. This will allow the city to better understand the effects of this legislation on the housing market.

Finally, the city has set ambitious goals for creating new units. Following through on these goals is critical to maintaining a well-functioning housing market. Rent control can help retain affordability for those units it affects, but it would work best when combined with greater investments in new units and subsidies for affordable units.

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