Rent Control

What Does the Research Tell Us about the Effectiveness of Local Action?

Prasanna Rajasekaran, Mark Treskon, and Solomon Greene

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As real wages stagnate, racial disparities grow, and housing prices soar in cities across the US, local governments are increasingly adopting laws and regulations that aim to reduce inequalities and improve access to economic opportunity for their residents (Berube et al. 2018; Greene et al. 2016). These new local laws span a broad range of areas, from protections against discrimination to proactive steps to reduce housing costs or raise incomes. At the same time, states are increasingly enacting laws that limit or preempt local action in these areas, often relying on a thin or nonexistent evidence base to suggest that local regulation is inefficient or overly burdensome (Briffault et al. 2018; Einstein and Glick 2017).

In these four briefs, we explore and summarize the research on the effectiveness of local action in four areas: minimum wages, paid sick days, rent control, and inclusionary zoning. We also discuss general trends in state and local laws as well as opportunities to fill research gaps and improve evidence-based policymaking in each area.

Rent-control laws generally have two related goals: to maintain existing affordable housing and to limit disruptions caused by rapid rent increases. As these laws have evolved, they have also incorporated features to ensure landlords receive enough compensation to maintain their properties and earn a reasonable profit. Such laws might also have secondary goals of protecting tenants from unjust eviction, creating mixed-income neighborhoods, and decreasing tenant turnover.

Although early local rent-control policies imposed strict price ceilings, most local regulations today are rent-stabilization efforts, which target specific property types within a city and allow for periodic rent increases. These laws are more likely to be found in large, coastal cities, although they are being considered in other cities across the country that are struggling to maintain an affordable rental housing stock. Local efforts are limited, however, by explicit or de facto state preemption throughout much of the country.
Most research on rent-control laws has come from economics literature, where it is often referenced in introductory texts as a classic case of an ineffective and counterproductive policy. Economists argue that rent controls reduce incentives to maintain existing housing or build new housing, leading to a growing mismatch between housing supply and demand and an increase in prices overall. Because contemporary rent-control policies usually have features that mitigate some of these negative impacts, however, this general critique is less salient when applied to real-world examples, and empirical studies looking into these effects have found mixed results. More broadly, economic analyses often ignore other social benefits associated with neighborhood stability, displacement prevention, and inclusivity (Glaeser 2003; Harvard Law Review Association 1988).

More recent research suggests that rent-control policies reduce rents for the tenants they target and provide additional benefits by increasing residential stability and protecting tenants from eviction. Although rent control may constrain housing supply, policies can be tailored to avoid this. However, recent research has found limited evidence that rent control contributes to broader socioeconomic goals, such as limiting gentrification, creating mixed-income neighborhoods, or decreasing racial disparities. Moving forward, understanding the features of rent-control or stabilization laws that are more or less effective, and understanding how they can be better tailored to promote equity, will be important to guide policymaking in this area.

In this brief, we synthesize the evidence on the effectiveness of local rent-control laws and suggest areas in which further research could help policymakers, advocates, and the public improve them.

State and Local Trends

The first local rent-control laws in the US were adopted in the 1920s, and they gained prominence over the next few decades. The World War II economy spurred dynamic labor market growth in several cities, forcing rents to increase. In response, local policymakers, most notably in New York City, implemented price ceilings and rent freezes (Arnott 1995). During the postwar 1950s housing boom, most cities abandoned this strict version of rent control, commonly known as first-generation rent control.

New efforts to enact rent control took off in the 1970s. But these second-generation polices were more moderate than the previous efforts. Unlike first-generation rent control, newer policies that allowed periodic rent increases tended to apply only to certain building types rather than to all tenant-occupied housing within a city. These second-generation rent-control laws, often referred to as “rent stabilization” to distinguish them from stricter first-generation policies, were introduced in several large or growing coastal cities, especially in the Northeast and in California (see box 1 for a discussion of New York City’s regulations). Cities with relatively fixed housing stocks viewed rent control as an easy, available solution to immediately address affordability concerns. Policymakers wanted to ensure rent-control laws benefited vulnerable tenants without reducing the quantity or quality of housing supply. For this reason, second-generation laws more closely governed housing maintenance and conversion while trying to provide landlords with reasonable profits (Gilderbloom and Ye 2007).
But rent control was not widely adopted outside of coastal areas, and today only four states (New York, New Jersey, California, and Maryland) and Washington, DC, have local governments with active rent-control laws.¹ Of the 182 total cities and municipalities with rent control, 99 are in New Jersey, 63 are in New York, 18 are in California, 1 is in Maryland, and 1 is Washington, DC.² The largest cities with rent control are New York, NY; Los Angeles, CA; San Francisco, CA; Oakland, CA; and Washington, DC.

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**BOX 1**

**Rent Control versus Rent Stabilization in New York City**

When many people think of rent control, they think of examples like the New York actress who, when she passed away in 2018, was paying $28.43 a month for her Greenwich Village apartment.³ However, this level of rent and this form of rent control is an outlier, even in New York. Recent estimates put the number of units in New York with traditional rent control at only 22,000. Meanwhile, there are 966,000 rent-stabilized units in the city.⁴ So what are the differences between rent control and rent stabilization? Although exact definitions vary, New York’s case provides a good example.

**Rent control** (first-generation rent control) in New York is for units in buildings built before February 1947. To maintain control, the tenant or lawful successor needs to remain in the unit continuously (since before July 1, 1971). Landlords can raise rents—up to 7.5 percent annually up to a ceiling rent (determined every two years)—but landlords with many building violations may not be permitted to collect increases. In New York, these units are subject to **vacancy decontrol**; if vacated, they move to the weaker rent-stabilization market if they are in a building with six or more units, and they become unregulated if in a building with fewer than six units. Upon vacancy, units can also be deregulated if they hit a certain rent threshold ($2,733.75 in 2018).

**Rent stabilization** (second-generation rent control) in New York pertains to units in buildings with six or more units, built between February 1, 1947, and January 1, 1974 (buildings built or renovated after 1974 and that have tax benefits may also be rent stabilized as long as those benefits continue). Benefits to tenants from rent stabilization include limits on annual rent increases (determined annually by the Rent Guidelines Board) and a guaranteed right to renew. As with rent control, once rent hits a certain cap, it is deregulated.

Rent-controlled units are disappearing from New York because of continuous occupancy requirements and vacancy control, and the characteristics of tenants in rent-controlled units are increasingly diverging from characteristics of tenants in rent-stabilized or market-rate units across the city: they are older, rarely have children, and are more likely to be white. As such, analyses that discuss the characteristics of residents in rent-controlled buildings to make broader claims about equity or inclusion need to be treated with caution.

Several states preempted local rent control in the 1980s and 1990s, and rent control today is preempted by state law throughout much of the country. As of fall 2018, 32 states bar their cities from passing any type of rent-control legislation.⁵ Four more states follow “Dillon’s Rule,” which requires states to explicitly grant powers to local governments. Although these states have not preempted rent control, they have not affirmatively granted power to cities to adopt rent regulations, and no cities in these states have rent-control policies. Ten states that do not have preemption laws and that don’t
employ Dillon’s Rule do not have any cities with rent control. And even among the states with active rent-control policies, some (such as California) impose strict limits on local laws. Tenant advocates argue that such restrictions effectively preempt control (Keating and Kahn 2002).

Existing rent-control laws (even New York’s extant rent-control law) represent moderate second-generation rent-stabilization efforts, but they differ in how they are executed, in how strictly they regulate rent-setting and landlord behavior, and in the types of buildings they target. Cities might establish rent-control boards to decide when and how much rents can be increased; they might allow unregulated rent increases during certain periods (during vacancy, for example); they might exclude newer buildings or buildings with fewer units from control; and they might include additional tenant protections. However, no rent-control policy today imposes long-term price ceilings on rent, and most policies attempt to provide a reasonable profit for landlords.

Though preemption has effectively impeded local rent control throughout most of the country, recent political initiatives, such as those considered in California, attempt to curb state restrictions. California is currently home to the most significant rent-control battle in years. In November 2018, voters voted on Proposition 10, an attempt to repeal statewide rent-control limits passed in 1995. Although this proposal failed, these debates continue in California, and lawmakers in Illinois, Oregon, and Colorado are considering repealing state laws that limit cities’ ability to pass or expand rent control. As these debates intensify, policymakers, advocates, and the public must understand the wide range of research directly and indirectly related to rent control. The following sections of this brief aim to assist with this by synthesizing the research to date.

Research on Impacts

General Effectiveness of Rent-Control Laws

Most broadly, the key goal of rent-control laws is to maintain existing affordable housing. By limiting rent increases, these laws can also promote stability, at least for residents living in controlled units. Empirical research on policies in San Francisco, CA; New York, NY; and Cambridge, MA, have indeed found that existing rent control policies have lowered rent for controlled units (Autor, Palmer, and Pathak 2014; Diamond, McQuade, and Qian 2018; Early 2000; Heskin, Levine, and Garrett 2000; Sims 2007). A study on rent control in New Jersey cities found no significant decreases in rent relative to cities without rent control (Ambrosius et al. 2015). But that state’s relatively weak form of rent control, which guarantees annual increases, exempts new construction, and allows landlord “hardship appeals” (Gilderbloom and Ye 2007), could be a factor.

Several studies have found that tenants living in rent-controlled units are less likely to move out than tenants in uncontrolled units (Diamond, McQuade, and Qian 2018; Glaeser and Luttmer 2003; Gyourko and Linneman 1989; Heskin, Levine, and Garrett 2000; Sims 2007), indicating these policies are useful in helping tenants avoid de facto evictions caused by rising rents (Gilderbloom and Ye 2007; Pastor, Carter, and Abood 2018).
Although rent control has generally been found to have positive effects for residents in controlled units, these benefits may be offset by negative effects on the uncontrolled sector, which may see increased rents caused by constrained supply. Empirical work has found this effect at work in some locales with rent control. Diamond, McQuade, and Qian (2018) find that San Francisco’s 1994 rent control law was directly responsible for a 5.1 percent citywide rent increase from 1995 to 2012, adding up to an extra $2.9 billion cost shared by current and future San Francisco renters. This matches the $2.9 billion that tenants in rent-controlled units received in benefits from the policy, and the authors note that this is a trade-off between benefits accruing to current residents and costs accruing to future ones. Likewise, a study of New York’s rent-control policy finds that it increased rent in the uncontrolled sector (Early 2000). However, two studies of a 1994 decontrol initiative in Cambridge, MA, find that rent control actually reduced rents in the uncontrolled sector (Autor, Palmer, and Pathak 2014; Sims 2007). Authors in these studies argue that this was caused by spillover effects: landlords of controlled units were less likely to pay for upkeep, causing nearby uncontrolled units to decrease in value. This meant that the benefits of lower rents (even for units in the uncontrolled sector) came at the cost of quality deterioration.

**Effects of Rent Control on Developers and Landlords**

Besides its effects on households, rent-control policies could affect landlords’ willingness to maintain or convert their rental properties and developers’ willingness to build new housing. Proponents of preemption have argued that rent-control laws reduce housing quality by creating disincentives for landlords to maintain their properties and that they restrict new development by making it less profitable to build. Although empirical research has found some evidence that rent control negatively affects maintenance, its effect on new construction remains speculative (but some evidence links rent control to trends in converting rental properties to condominiums).

In addition to the Cambridge studies discussed (Autor, Palmer, and Pathak 2014; Sims 2007), others have found evidence that rent control discourages landlords from maintaining the quality of their units (Arnott and Shevyakhova 2014; Gyourko and Linneman 1989). Although these issues could be mitigated by policies that enforce strict code violations, reward landlords who invest in maintenance through rent increases, or allow rent increases only if landlords perform quality upkeep (Pastor, Carter, and Abood 2018; Sturtevant 2018), others have stressed the bureaucratic costs associated with such policies (Glaeser 2003).

Some authors have argued that rent-control policies may affect developers’ willingness to build new housing (Early 2000; Glaeser 2003), but because US rent-control laws generally exempt new construction, the causal mechanism potentially at work here is unclear. Empirical work that has tested these expectations in New Jersey and the District of Columbia found no significant relationship between rent control and new housing construction (Gilderbloom and Ye 2007; Turner 1990).

Although rent control may not have a clear effect on new construction, more evidence suggests that rent control can reduce rental housing supply through conversion into owner occupancy. A study of San Francisco found that rent-controlled buildings in that city were nearly 10 percent more likely to convert
to a condominium or tenancy in common than noncontrolled buildings (Diamond, McQuade, and Qian 2018). However, a study of Cambridge, Massachusetts, found the condominium stock there increased 32 percent after rent-control policies were repealed, even as its residential housing stock decreased 6 percent (Autor, Palmer, and Pathak 2014). But notable about Cambridge was that along with repealing rent control, the city also repealed an ordinance that had made it difficult for property owners to convert rental properties to condominiums. This was never an option in San Francisco because this sort of local policy was preempted by California state law. This suggests that conversions of rent-controlled units to condominiums could be limited with the proper policies in place (Pastor, Carter, and Abood 2018).

**How Effective Is Rent Control at Improving Economic Opportunity?**

Rent control, by reducing rent burdens and preventing de facto eviction caused by rapid rent increases, can potentially improve economic opportunity for residents, both by allowing them to remain in neighborhoods with growing economic opportunities (and potentially experiencing gentrification) and by providing them savings that they could use for other purposes. Residential stability is associated with positive long-term physical and mental health outcomes, especially for children (Bures 2003; Gilman et al. 2003). But residential stability in poor neighborhoods does not lead to the same positive outcomes (Ross, Reynolds, and Geis 2000), so the location of rent-controlled units matters. Some have argued that, given its incentive structure, although rent control may promote economic integration in improving neighborhoods, it may hinder integration in declining neighborhoods (Glaeser 2003).

Although the studies noted above have shown that rent control reduces turnover for tenants in controlled units and may limit value appreciation and stem gentrification (Autor et al. 2014; Sims 2007), its ability to target benefits to those in gentrifying neighborhoods is less clear. A study in New York City found that tenants in rent-stabilized units exited at similar rates whether or not they were in gentrifying neighborhoods (Freeman and Braconi 2004).

A related issue is understanding who benefits from rent control. By design, rent control protects incumbency and provides benefits to those living in rent-controlled units, and it is not targeted to households with the most need. Over time, even if residents in rent-controlled units benefit, the policy may not be distributing benefits equitably if others who could benefit cannot obtain such a unit. Given its weak targeting mechanism and potential to reduce supply of rental units, some have argued that it is an ineffective policy solution for gentrification (Vigdor, Massey, and Rivlin 2002).

Several empirical studies have found that rent control has not been successful at targeting benefits to lower-income residents or families (Pastor, Carter, and Abood 2018; Sturtevant 2018). In Cambridge, renters in the bottom quartile of household income distribution occupied only 26 percent of rent-controlled apartments; tenants in the top half occupied 30 percent (Sims 2007). Tenants in rent-controlled units in New Jersey and California tend to be older and to be single (Glaeser 2003). A study of New York City’s strict first-generation rent control found it benefited low, middle, and high-income tenants equally (Gyourko and Linneman 1989). Although these failures may be attributed to rent control’s lack of a price mechanism, some evidence indicates that benefits can be allocated
How Effective Is Rent Control at Reducing Racial Disparities?

To the extent that people of color are more likely to rent and are more likely to be low income than are white people, rent control could benefit these communities by reducing cost burdens and displacement risk and, more broadly, promoting integration (and reducing segregation). Two questions stem from this: first, are residents of color successfully obtaining rent-controlled units? Second, what, if any, benefits are residents of color seeing from living in controlled units? For municipalities more broadly, the question becomes whether rent control has promoted racial integration or reduced segregation.

Evidence is mixed on whether people of color access rent-controlled units in proportion to their population share or housing need. A study in Massachusetts found that although Hispanics and African-Americans accounted for a quarter of the population in cities with rent control, they made up just 12 percent of the population in rent-controlled units (Sims 2007). In New Jersey, however, a study found African-American residents were overrepresented in rent-controlled cities (Gilderbloom and Ye 2007). In New York, people of color make up a higher share of residents in rent-stabilized buildings than they do in unregulated housing, but white people are overrepresented in the city’s remaining rent-control stock (see the discussion of New York’s rent-control policies in box 1). Research indicates that landlords and rental agents discriminate against tenants of color in the general rental market (Carpusor and Loges 2006; Massey and Lundy 2001), and some have argued that this may be exacerbated in a controlled market: with constraints on supply, landlords would be more likely to select tenants based on their personal characteristics, including race (Glaeser 2003). Except the Massachusetts case, however, little evidence supports this claim (Gyourko and Linneman 1987).

A potentially more salient question could be who benefits. At a basic level, the benefit can be measured as the difference between a predicted uncontrolled rent and the actual rent paid for a controlled unit. Measured in this way, studies have found that even as rent control has overrepresented African-American and Puerto Rican people, its benefits are more concentrated among wealthier, white households, who tend to live in neighborhoods with relatively higher unassisted rents (Ault and Saba 1990; Gyourko and Linneman 1989). Meanwhile, little research is available on how other potential benefits from rent control (such as access to employment or quality education) may vary by location and benefit some racial and ethnic groups more than others.

Research Gaps

Rent control’s poor reputation in the economics literature has tended to rely more on models than on case studies or observed impacts. Although some evidence suggests that rent control increases costs in the unregulated market, negatively affects housing quality, and promotes conversion of rental units into condominiums, variation across municipalities with rent-control policies indicates that local context and local regulations matter. Research needs to better account for the nuances of specific rent-control
polices, including the provisions aimed at mitigating impacts on developers and landlords. Comparative research in particular, by clearly specifying distinguishing features in otherwise similar cases, could be useful for better understanding these features. More broadly, this speaks to the importance of local context and policy design in understanding the effects of rent-control policies, because the limited work examining this dynamic indicates that local policies, by accounting for local conditions, may be able to address negative externalities associated with them.

One unresolved tension in the existing literature on rent control is its effects on costs and on housing quality: although associated with increasing uncontrolled housing costs in some markets, it was associated with decreasing uncontrolled costs elsewhere (Cambridge, in particular). Understanding the reasons for this divergence could be useful for crafting policy.

Another research gap involves how and where people move into rent-controlled units. This has implications for economic integration, for racial and ethnic segregation, and for the benefits accruing to residents: if low-income residents of color are obtaining rent-controlled units, but those units are outside of neighborhoods of opportunity, rent control may do nothing to promote integration and have little value for the renter apart from obtaining such a unit.11

More research should be done on what happens to residents living in rent-controlled housing in gentrifying neighborhoods over time and whether rent control can help promote longer-term integration or if it is a shorter-term response that merely slows down displacement. Longitudinal work would also be useful for measuring whether households in rent-controlled units continue to reflect the economic and racial and ethnic composition of a municipality over time or whether a neighborhood’s demographics change. The oft-cited case of rent control in New York is a poor model here.

Finally, research should examine how tenants benefit from rent control. Ethnographic work in particular could be useful as a way to understand how tenants marshal the location and cost savings from living in controlled units and the benefits they perceive stemming from the policy.

**Conclusion**

If rent control is judged on its ability to promote stability for people in rent-controlled units, evidence has generally found it to be successful. Research on rent control’s effects on the broader housing market (whether on rents, construction, or conversion) have yielded mixed results. However, evidence is also mixed for rent control’s ability to promote economic opportunity or reduce racial disparities. Part of this stems from a trade-off: promoting stability may, over time, lead to a growing mismatch between people who live in a rent-controlled unit and people who need one.

Research can play a role in better understanding the contexts in which rent control can be more effective and the ways policies can be effectively structured to avoid some of the unintended deleterious effects found in some localities. Also important will be understanding how rent control can fit into a broader framework of effective housing policies that promote inclusion and limit displacement. As others have argued (Montojo, Barton, and Moore 2018), rent control may be able to play a role in
promoting equity, but it needs to be part of a systematic approach to housing, social, educational, and economic policy.

Notes


9 After significant thought and deliberation, the authors have decided to use the term “Hispanic” to refer to people of Latin American origin living in the United States. We have decided to employ this term, and to make one exception, to align with the language used by research sources throughout the brief. However, we recognize that the term “Latinx” is more inclusive of the way this group may self-identify. We strive to avoid language that is exclusive and will always attempt to explain the editorial rationale behind the labeling of certain groups.


11 The Equality of Opportunity Project, led by Raj Chetty, is one such example: http://www.equality-of-opportunity.org/neighborhoods/.

References


About the Authors

Prasanna Rajasekaran is a research assistant in the Metropolitan Housing and Communities Policy Center at the Urban Institute. He graduated magna cum laude with a degree in economics from Northeastern University, where he created a radio documentary on the 1980s crack cocaine scare and completed a local history of the Boston Black Panther Party.

Mark Treskon is a research associate in the Metropolitan Housing and Communities Policy Center. His current projects include an evaluation of financial coaching programs and a study measuring the effects of arts-related initiatives on community development. His research interests include housing and homeownership policy as well as neighborhood development and change. Treskon has a bachelor’s in geography from the University of Chicago, a master’s in urban planning from the University of Toronto, and a PhD in sociology from New York University.

Solomon Greene is a senior fellow in the Research to Action Lab and the Metropolitan Housing and Communities Policy Center. His research focuses on how land use law, housing policy and regional planning can reduce racial and economic segregation and how cities can use data and technology to promote more inclusive development. Before joining Urban, Greene was a senior adviser at the US Department of Housing and Urban Development and a senior program officer at the Open Society Foundations. Greene serves on the board of the National Housing Law Project. He received his BA from Stanford University, his MCP from the University of California, Berkeley, and his JD from Yale Law School.
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