PUBLIC HEARING ON

B23-433, "Rental Housing Act Extension Amendment Act of 2019"

Before the Committee on Housing & Neighborhood Revitalization

Councilmember Anita Bonds, Chairwoman

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John A. Wilson Building

Testimony of Dr. Yesim Sayin Taylor
Executive Director
D.C. Policy Center

Good morning, Chairwoman Bonds and members of the Committee on Housing & Neighborhood Revitalization. My name is Yesim Sayin Taylor and I am the Executive Director of the D.C. Policy Center, an independent, nonpartisan think tank committed to advancing policies for a strong and vibrant economy in the District of Columbia. I thank you for the opportunity to testify on Bill 23-433 concerning the extension of rent stabilization laws for another ten years.

Over 35 years after the enactment of the Rental Housing Act, the number of rent-stabilized units in D.C. has held up relatively well. We estimate that D.C. currently has close to 72,000 rent-stabilized units spread across 2,150 separate buildings (excluding public housing and other subsidized units, see Table 1).[1]

This is equivalent to nearly 70 percent of all units in rental apartment buildings (including those not subject to rent stabilization) and 35 percent of all units that are currently being rented (including condominiums and single-family homes rent by their owners).

When the Rental Housing Act was enacted back in 1985, we estimate that there were at most 85,000 rent-stabilized units in 3,158 buildings.[2] Some of these units have been lost when the buildings were converted to condos or co-ops, including conversations through TOPA.[3] This means that the total leakage out of the rent-stabilized stock has been at most 15 percent over nearly 35 years. This is a much lower leakage rate than other jurisdictions with stricter rent-control policies. For example, only ten years after San Francisco extended its rent control laws to buildings with fewer than 5 units, the number of rental units in such buildings declined by 15 percent, and the number of tenants in these buildings have declined by 25 percent—a much swifter decline than D.C. has seen in over three decades.[4]

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[1] Because the rent stabilization ordinance applies both to the buildings and to owners, it is difficult to know exactly how many units are subject to the law.
[2] Developed using information Lusk's District of Columbia Apartment Directory for 1990.
[3] Through the 1990s, there was no deed recordation and transfer tax imposed on cooperatives (called economic interest), creating an additional incentive to convert.
[4] This happened through a referendum in 1994. The study also found some positive impacts on tenancy, but rent controlled buildings were 8 percent more likely to convert into condominiums or Tenancy in Common (equivalent of coop) buildings.

D.C.'s stock of rent-stabilized units has remained so steady partly because the District law prioritizes stabilization over strict price controls. The Rental Housing Act's goal is not to create or preserve affordable housing, but to protect tenants from rapid, unreasonable increases in their rents. This might seem like an unnecessary distinction, but it's an important one to make as we consider the law's future. The Rental Housing Act allows landlords to increase rents to cover costs that grow faster than the cost of living, while providing assurances to tenants that year-to-year increases in their rents will be within reason. The District's CPI + 2 percent rent increase allowance has been the primary reason why the city's rent-stabilized stock has been resilient.

If the Council's goal is to maintain the size of the city's rent-stabilized stock, the answer is to relax the rules that govern rent increases, not tighten them. This is especially important in an environment with rapidly increasing operating costs both because of market forces and because of regulatory impositions. The more rents are allowed to rise, the higher the landlords' investment in these buildings, and the lower the temptation to take them out of the rental market entirely by converting them into condominiums.

Turning the District's current rent stabilization program into a strict rent control regime will ultimately frustrate affordability goals. The city has firsthand experience with how expensive affordability can be: The District provides substantial subsidies for the creation and preservation of affordable housing units in addition to a combination of federal and local rent subsidies. These, when combined, account for more than $150 million in the District's annual budget. If the District were to go beyond an extension of the current rent stabilization law and enact stricter rent control laws, absent any other supports, the city would simply push the cost of subsidizing affordability from the government's balance sheet to landlords' balance sheets—creating what is essentially an

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Diamond, Rebecca, Tim McQuade, and Franklin Qian. 2019. The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco. https://web.stanford.edu/~diamondr/DMQ.pdf (May 17, 2019).

unfunded mandate. And the market will not passively internalize this, and the mostly likely outcome will be fewer, and not more, rent-restricted units.

Thank you for the opportunity to testify. I am happy to answer any questions you might have.

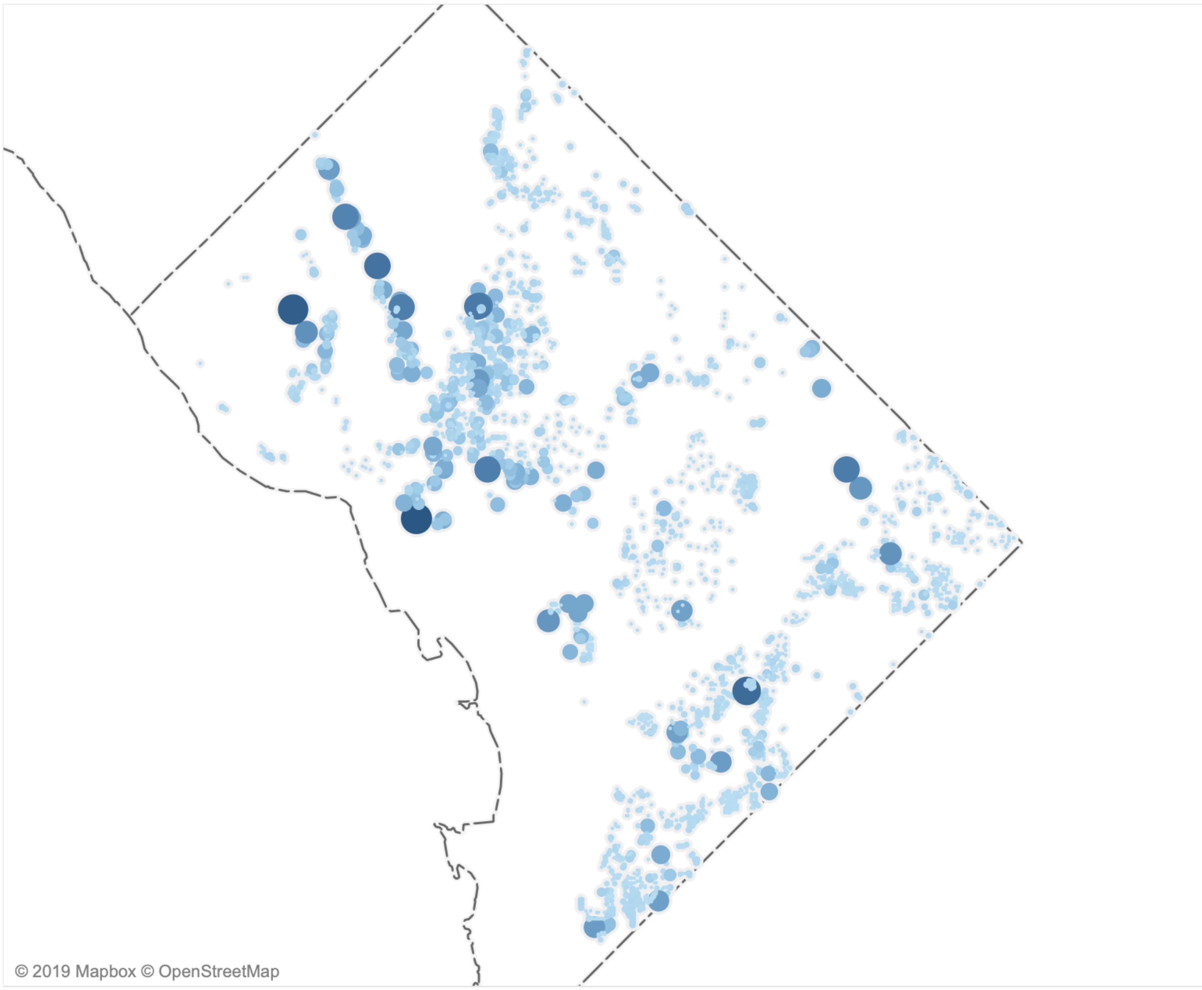
Table 1 - Number of Buildings and Units Subject to Rent Stabilization

	Number of Buildings	Number of Units
Low Estimate	2,052	68,299
High Estimate	2,151	72,109
Share in all apartment buildings (including buildings not subject to rent control)		70%
Share in the entire rental stock		35%

Source: Integrated Tax System Public Extract, combined with residential, condominium, and commercial information from Computer Assisted Mass Appraisal (CAMA) database and the Master Address Repository. All files are available through Open Data DC.

Note: The number of units for multi-family rental buildings and coops are not always noted in the CAMA database. When this is the case, the number of units is estimated by the number of different addresses for the building. The owner-occupied count includes cooperatives, which are almost always owner-occupied, but not noted as such in the tax extract. This is because the taxable entity is the cooperative that owns the building, and not the individual shareholders (who own the units).

Figure 1 – The District's rental apartments under rent stabilization, 2019



Source: Integrated Tax System Public Extract, 2019, mapped using the Common Ownership Lots file. Condominum buildings are mapped by using information from the Condo Approval Files. Building characteristics are derived from the various Computer Assisted Mass Appraisal datasets. When numbers of units in a multifamily building are not known, we have used the number of different addresses in the same building as the unit count. All datasets are available at Opendata.dc.gov.

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