November 5, 2020

The Honorable Anita Bonds
Council of the District of Columbia
1350 Pennsylvania Avenue, NW
Washington, DC 20004

Dear Councilwoman Bonds:

On behalf of the businesses, employers, and housing providers we represent, we write to share our concerns about Bill 23-873, the "Rent Stabilization Program Reform and Expansion Act of 2020", which will be the subject of a public hearing on November 9th. Rent control already limits rents for low-income and high-income residents alike, and the proposed legislation imposes more extreme limits. There is a genuine public policy need to focus on affordable housing, but there is no policy reason to limit rents further for those who can afford to pay them, or for the City's property tax base to be further eroded in consequence.

Moreover, additional rent limits will cause the quality of rental housing to decline. Eighty-five percent of D.C.'s apartment buildings are at least fifty years old; the need for modernization is great. Since property taxes and utility costs have increased by double digits over the past decade, electric rates are projected to increase 25% in the next few years, and the cost of insurance and other building expenses continue to skyrocket, without the limited rent increases possible under the current rent-control law, housing providers will not be able to repair and maintain their properties. By further constricting increases that can be charged on vacant units rented to new tenants – who are not facing a choice between paying more and having to move - a critical means of funding needed improvements will be eliminated.

The bill will have another unintended victim: The District's economy. When rental income and investment in housing is reduced, property values decline; because property taxes are based on property values, the District's revenues will decline, further jeopardizing critical initiatives to protect residents in need. And because the added rent restrictions will force housing providers to cut expenses further, the inevitable result will include cutting jobs at a time when the District's unemployment rate is 60% higher than last year at this time.

Finally, the proposed expansion of rent control to buildings constructed in reliance on current law exempting them from rent control for the past 45 years will drastically reduce new housing construction in the District, just as rent control did for over a decade until newly constructed buildings were exempted. As a result, the bill will upend investor confidence that the District is a reliable place to put their money. Investors shun jurisdictions where the laws change unpredictably and in ways that significantly reduce the value of investments. Extending rent control to properties that were built in reliance on exemption will do just that. If this bill passes, investors will simply invest elsewhere, including in the 46 states that have no form of rent control at all, and any new housing built in our region will most likely be in the suburbs, ending a decade's worth of increased population, vibrancy, and tax growth in the District. This will be a tremendous loss.

Innovative solutions to preserve and develop new affordable housing currently underway will be compromised if this bill is enacted. The D.C. Policy Center's Dr. Yesim Taylor offers an innovative policy tool called "Inclusive Conversions" that can create significant new affordable housing across all wards of the District at costs lower than what the city invests today. Others have proposed increased density around Metro stations in exchange for more affordable housing in those projects. The Washington Housing Conservancy is raising large sums for the preservation of existing affordable housing. Mayor Bowser has made significant increases in the number of affordable housing units a top priority, and under your leadership, as Chair of the Committee on Housing and Neighborhood Revitalization, a working group of stakeholders will soon convene to identify even more solutions. We recognize the increased need for affordable housing and share your vision for an equitable, inclusive city, but aggressive new forms of rent control are counterproductive.

If this bill is enacted, the District will impair itself when it can least afford it, accelerate deterioration of its housing stock, disincentivize investment in much-needed new housing and permanently reduce essential revenue from its real property tax base to support social services, without creating or preserving a single unit of affordable housing.

Finally, current market forces are pushing rents down. According to the Delta Associates Q3 report, *"The unprecedented nature of the pandemic and the resulting prolonged economic slowdown in its wake has impacted the apartment market more than initially expected."* Coming at a time when rents are falling significantly, the bill is both bad policy and unnecessary.

We urge the Council to hit the pause button, and undertake a considered analysis of how to preserve and increase the quantity and quality of affordable housing. Respectfully, more rent control is not a solution to this problem.

Margaret "Peggy" Jeffers

Margaret "Peggy" Jeffers, Executive Vice President
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Lisa Maria Mallory

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cc:

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