

RENT CONTROL FAQ



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Councilmembers
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Seattle has seen a major construction boom resulting from strong economic growth. But very few of the new rental units are affordable to the majority of working people in this city.

Additionally, existing units that used to be affordable are now experiencing skyrocketing rent hikes. Earlier this year, Seattle Times columnist Danny Westneat summed it up: “Let’s be blunt: When your landlord jacks your rent 145 percent, you are being kicked out... [T]he implied message is: Goodbye.”¹ Seattle is experiencing an **epidemic of economic evictions.**

What policies will ensure affordability of new and existing rental units in the market? Should a citywide rent control measure be included in the policy agenda in order to address skyrocketing rents?

Below are responses to some frequently asked questions regarding rent control, why we need to fight for it, and what other policies are needed to make housing in Seattle affordable for all.



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Isn't it all simply about supply and demand? Won't rents come down by simply building more units?

We are told that we need only rely on the so-called "free market." We are told it is simply about supply and demand. Let developers build, let the supply of market-rate units increase. And at some point, magically, prices will come down and create housing affordability.

However, none of the proponents of this trickle-down theory have ever been able to offer so much as a rough estimate of how many units would have to be built for housing to be affordable to the majority. We are asked to go on faith.

As a matter of fact, construction has been booming in Seattle. Why, then, are rents on new units so high, and rents on existing units experiencing out of control increases?

Supply and demand does explain why Seattle rents are going up. **But how much your rent goes up is determined by the relative balance of political and organizational power between tenants and the real estate lobby.** Much the same way that wages and benefits in the workplace are a reflection of how much power workers have, including whether or not they have a union to allow them to negotiate better working conditions.

In the absence of substantial tenant protections, rents tend to not only increase in a high-demand market, but to increase so dramatically as to force large numbers of renters out of their units, and often force them to move to the periphery of the city or outside the city. This is the price gouging of renters.

When does this price gouging occur? When corporate developers and landlords can get away with it. This opportunity to jack up rents means that tenants residing in affordable units experience massive rent increases, which implies economic eviction. After the tenants are driven out, the previously affordable units are renovated, sometimes even minimally, and then rented for two or three times the original rents.

What policies would make housing in Seattle affordable?

Developer loopholes need to be closed so relocation assistance can be expanded to tenants experiencing economic evictions. Late fees and move-in costs for renters need to be capped. Penalties for deposit theft need to be increased. A law must be put in place to require interest accrued on deposits to be returned to tenants.

Big developers must pay robust residential and

commercial linkage fees to generate public revenues to enable City funds for affordable units. We need to use the city's bonding capacity and progressive tax measures to build thousands of city-owned housing units that will remain affordable for the lifetime of the units.

But it will take years to **build the thousands of affordable housing units** that Seattle desperately needs. Meanwhile, policies that stabilize rent increases are essential in order to prevent price gouging. The citywide wave of economic evictions and displacement will not be stemmed without rent regulation.

Why rent control and what does it mean?

Price gouging is not inevitable. It happens in the absence of any real protections for tenants in the form of regulation on rent increases, just like worker exploitation happens in the absence of a minimum wage. That's where rent control comes in.

By rent control, we mean linking rent increases to inflation. Under a citywide rent control policy, rent would still go up. Landlords would still be able to make profits and finance operations and maintenance. **But the sudden and massive rent hikes of 15%, 50%, 100%, and higher – and the economic evictions that come with them – would be prohibited.**

Unlike other components of an affordable housing plan, rent control, when broadly applied, can have an immediate impact on the housing market. Berlin, Germany recently introduced its own version of rent control, and within one month the law was already bringing down costs.²

In 2014, investors spent an unprecedented \$3.8 billion³ buying up apartment buildings in the greater Seattle area, raising rents, subjecting local housing to intense financial speculation, and depleting the number of affordable units that exist in the private sector.

Between 2010 and 2013, Seattle experienced the highest per capita raise in rents of any major city,⁴ with an increase of 10.7%, \$113 on average. Recently, *The Journal of Urban Affairs* published a study⁵ which demonstrated that **an increase of \$100 in the average median rent directly corresponds to a 15% increase in homelessness.** Broadly applied, rent control will help keep thousands of low-income residents and workers off the street.

Rents are not going to go down on their own. With 100% and even 150% rent increases becoming a trend in Seattle⁶, we urgently need to do something. With rent control, we can make these exploitative hikes illegal.

But rent control was banned by the Washington State Legislature. We can't win rent control anyway, so why even discuss it?

The Supreme Court has recognized a municipal government's right to set price limits, and there are no federal restrictions on rent control. In 1980, a popular campaign for rent control was being waged in Seattle. Big developers and real estate barons descended on Olympia to lobby for a statewide ban. While they were successful, this ban can be repealed by the State legislature at any time.

Rent controls are most needed in areas with runaway prices, which are typically localized metropolitan regions such as cities or counties. So the real estate lobby has always fought rent control by pouring money into the campaigns of conservative state-level politicians running from rural districts, where constituents are not demanding rent stabilization. Nothing unique about Washington State there.

The only way metropolitan areas have won rent control in the face of the powerful real estate lobby is building a mass movement in their cities and counties and pushing back against the state. This is exactly what I have proposed as a political strategy here in Seattle. As a first step, Councilmember Licata and I have introduced a resolution to demand that Olympia repeal the ban on all rent regulations. I urge you to sign the petition in support of this resolution.

Won't developers stop building new housing if there is rent control?

The claim that rent control reduces the quality and quantity of available housing is a myth perpetuated by the real estate lobby. It is a simplistic and inaccurate reflection of the forces that drive development and profit-making under capitalism. As long as Seattle is growing as a metropolitan region and remains a job creation center, developers will have an incentive to build in Seattle because they can make profits. Rent control will be no more responsible for developers halting building than will a higher minimum wage cause job losses. As an example⁷, New York City's "two largest building booms took place during times of strict rent controls: the 1920s and the post-war period between 1947 and 1965."

In 1988, one scholar cut through the rhetoric of rent control opponents⁸, demonstrating that "virtually all

economists' views concerning the effects of rent control on maintenance of the controlled stock are based on incredibly simple models of housing markets and rent control ordinances."

Hasn't rent control caused rents to skyrocket in San Francisco?

Contrary to popular myth, **rent control in San Francisco has been a veritable lifeline for the many tenants who would have been completely priced out of the city.** The problem facing these cities is rooted in the fact that only a small portion of available housing was ever subject to rent control policies.

When rent control is not broadly applied, the majority of a city's tenants aren't able to obtain rent controlled units. Units which are not controlled continue to be subject to the same kind of exploitation we've seen here in Seattle.

While the way rent control was implemented in San Francisco has not eliminated extreme rents citywide, it has still played a major role in keeping rents lower than they would otherwise be. The example of Boston illustrates this all too well. When its rent control laws were eliminated in 1997, apartment rates doubled⁹ within the months that followed.

Wouldn't rent control lower the quality of available housing?

Slumlords thrive when, like in Seattle, there are weak and poorly enforced regulations against them. **The only way to eliminate slumlords and badly maintained housing units is to empower renters with a strong Tenants' Bill of Rights and ensure strong enforcement.** Service provision and maintenance can be well regulated under rent control.

In a number of jurisdictions, a loophole known as "vacancy decontrol" has been introduced to undermine rent control laws. Vacancy decontrol allows landlords to abandon rent control when the current resident of a unit moves. In areas where vacancy decontrol prevails, landlords might allow housing to fall into disrepair to encourage tenants to move. Here in Seattle, the answer to that is simple: **We need to build a movement strong enough to win rent control without loopholes.** Ultimately, slumlords are not a product of rent control, but of low social and political power of renters and working people versus corporate executives, real estate conglomerates, and the super-wealthy.



Isn't rent control an outdated concept?

Far from it. In August 2015, new rent controls went into effect in Berlin, Germany and rent control was passed in Richmond, California. Green Party Councilwoman Gayle McLaughlin explained the victory¹¹ in Richmond: “This is about stability to allow people to stay in their homes and stability for our neighborhoods... We're a mixed-income community, and we want all of our neighborhoods to be stable. Our low-income residents are as important as every other resident, and we don't want them to be without a home.”

It is true that neo-liberal economists and even many neo-Keynesian economists continue to argue against rent control. Unfortunately, **economics as a discipline has often tended to provide provide academic cover for policies that disproportionately benefit corporations and the wealthy. For example, many economists are critical of even the existence of a minimum wage.** Most oppose public health care systems, in spite of enormous historical evidence that single-payer healthcare is more cost effective and creates decisively better outcomes. As unbelievable as it may sound, several also oppose restrictions against child labor.¹²

Other economists, including Kshama Sawant and Dean Baker, the co-director of the Center for Economic and Policy Research in Washington, D.C., argue differently. Baker notes that “rent-control ordinances

usually work... such ordinances can help maintain integrated neighborhoods.”

In addition, a recent 400-page nonpartisan study of the Los Angeles Rent Stabilization Ordinance from the California State University concluded that the law, which covers two-thirds of all rental properties, must be retained.¹³

Rent Control is One of the Many Tenant Protections Seattle Needs

The full spectrum of tenant protections, including regulating rents, can be viewed with a lens similar to workplace rights. Laws such as minimum wage, paid sick leave, anti-discrimination, occupational safety, and the right to unionize haven't killed jobs or prevented companies from making profits.

These laws protect workers and provide for a better quality of life for working people. Even the proponents of the free market theory are themselves beneficiaries of the gains of labor struggles. The gains from successful housing affordability policies will be no different. The victory on the \$15/hour minimum wage shows what workers can win when we organize and fight back. We need to build a similarly powerful organized movement for housing justice. Let us begin!

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3. **Money Pours into Buying Local Apartments** Sanjay Bhatt, *The Seattle Times* January 21, 2015.
4. **Census: Seattle Saw Steepest Rent Hike Among Major U.S. Cities** Gene Balk, *The Seattle Times* September 8, 2014.
5. **New Perspectives On Community-Level Determinants of Homelessness** Thomas Byrne, et al., *Journal of Urban Affairs* 35: 607–625 November 2012.
6. **Tenants' Advocates Report 150% Rent Increases** Danielle Leigh, *KING 5 News* May 19, 2015.
7. **In Defense of Rent Control** Jake Blumgart, *Pacific Standard* April 1, 2015.
8. **What Do Economists Know About the Effect of Rent Control on Housing Maintenance?** Edgar O. Olsen, *The Journal of Real Estate Finance and Economics* Volume 1, Issue 3, pp 295-307 January 1988.
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13. **Economic Study of the Rent Stabilization Ordinance and the Los Angeles Housing Market** Daniel Flaming, et al., Los Angeles Housing Department 2009.