January 7, 2022

RE: Joint Public Hearing of the NYS Senate Committee on the Judiciary and Committee on Housing, Construction, and Community Development

Testimony of the Community Housing Improvement Program

Thank you for the opportunity to testify today, my name is Joseph Condon. I submit this testimony on behalf of the Community Housing Improvement Program (CHIP).

Brief Introduction to CHIP

CHIP is a housing advocacy organization; our members are the owners and operators of small- and mid-size rental buildings throughout the five-boroughs. Their buildings are mostly rent-stabilized, and most CHIP members have owned and operated their buildings for decades. They are generational owners, many of them have generational tenants, and they have become part of the communities in which they provide housing. These are long term holders of property. They are housing providers, not housing speculators. CHIP members are hands on operators – they know their tenants, they want their tenants to be happy, because they want to provide quality housing and excellent services. Our members are not in the business of evicting tenants, nor are any housing providers. Which is why many of our members have worked with their tenants to apply for ERAP, as well as offered rent concessions, lowered rents, deferred rental payments, and other mechanisms to help tenants remain in occupancy while dealing with pandemic-related economic losses.

While the members of our organization are the owners and operators of rental housing, we consider ourselves to be true housing advocates because we want housing policy that works for everyone. We advocate for policies that lead to a better marketplace for housing options for all. We want real solutions for the tenants who can't pay their rent, not programs based on political talking points that don't address the real issues.

It is based on these principles that CHIP opposes S. 3082-2021. It is a widely accepted fact that strict rent regulations lead to reduced quality and lower quantity of rental housing. There is no example throughout history showing otherwise. Our overriding concern is not necessarily how rent control would impact the bottom lines of housing providers, but instead how it impacts the living conditions and quality of life of tenants and residents, and the long-term viability of rental housing for future generations of households.

Rent Control Doesn't Help Renters Pay Their Rent
But for purposes of today's discussion, the simple fact is that rent control doesn't help people with rent arrears, and it doesn't make housing more affordable. It also doesn't help people who are facing housing insecurity because of the inability to pay their current rent. Right now there are hundreds of thousands of families facing housing insecurity not because of rent increases, but because of rent debt and lost wages. ERAP has helped many, but there are more that need help. The program has approximately 126,000 applications for rent assistance which cannot be paid out unless there is another $2 billion in funding allocated to the program. And based on a survey of our membership, there are about another 175,000 renters with rent arrears who could have applied but did not. We believe this mountain of tenant debt and inability to pay future rent should be the priority for this body, and for the state budget negotiations. No amount of rent control can provide the necessary assistance those renters need.

And back to the rent control being discussed today, it is not a new idea in the housing policy arena. Nor is this bill a nuanced version of rent control - it is in fact strict rent control, limiting any rent increase, whether it be for a vacancy lease or a renewal lease, to 3% or inflation. The irony here is that a progressive legislator is proposing one of the most regressive housing policies still around. The legislature has the benefit of hindsight with respect to rent control - let's not repeat the mistakes history. Housing policy should be moving away from these types of archaic concepts and towards more progressive models that involve direct cash payments or housing credits for renters. There is too much diversity across New York State's housing market for a single formula to solve everyone's problems.

Unintended Consequences of Rent Control
The unintended consequences of strict rent control are significant, and almost always felt more acutely by low- and moderate-income households. And while there are some benefits to renters, the most impactful benefits of rent control are often concentrated in neighborhoods that don't need it - often wealthier households in high-income neighborhoods.

Expanding rent regulations only expands these inequities and unintended consequences. But don't take our word for it. The NYU Furman Center's 2021 report entitled "Rent Regulation for the 21st Century" echoes these sentiments. According to the report,

> "as rent regulations become more stringent, they cause larger distortions in housing markets. 'Deep' rent regulations - those that more stringently limit landlord's abilities to increase rents - may discourage investment in the regulated stock, as regulated landlords earn lower returns on their invested capital. Deep rent regulations may also decrease the overall housing supply by discouraging new construction and leading owners to remove existing rental housing from the market. These effects compromise the availability

> and affordability of rental housing. Extending strict regulation to the entire rental market will exacerbate these supply effects….

The report went on to state, "Landlords bear most of the costs of rent regulation, receiving less in rent than the market would otherwise allow. As these costs increase, the argument for shifting financial burdens to the government rather than to landlords becomes more compelling, suggesting a role for subsidies rather than expanded rent regulation."

We don't have to travel far to see the unintended consequences. Look no further than NYC, where rent controls have been in place in some version for nearly 100 years. Despite rent controls, NYC is still considered by many to be in a housing emergency - perhaps the longest emergency ever known. If rent regulations were an effective policy, they would have worked by now - but they haven't. And the particular impact of reduced housing supply is already being seen as tens of thousands of units sit vacant because they are too far below the cost of operation to re-rent. Another impact is what we call the gentrification of the housing industry. Smaller housing providers are consistently being pushed out due to onerous regulations and disproportionately increasing operating costs, and sell their buildings to larger operators. This consolidation, or gentrification of the industry, leads to more corporate-style of property management, and often results in investment-based decisions rather that relationship-based decisions when it comes to the tenants.

The idea that the state is seriously considering expanding this failed policy is unfortunate. As mentioned before, there are more than ¼ of a million households in significant rental debt from pandemic related losses – low-income households and service-based-employee households who need help paying rent due to job loss, reduced wages, or other economic-related reasons. Across the state, most people are not feeling housing insecurity because of significant increases in rent. Instead they are feeling insecure because of the ability to pay the current rent.

High-Income Renters Benefit the Most from Rent Controls

Examples of post-pandemic rent increases of exorbitant nature are few and far between. And those that exist are occurring in luxury buildings in wealthy or gentrifying neighborhoods where affluent families are simply looking to lock in discounted rent levels that were given by owners during the height of the COVID-19 pandemic. This would be repeating one of the most common inefficiencies of rent regulation – allowing the largest benefactors to be affluent households in wealthy neighborhoods. A Wall Street Journal analysis of the New York City rental market found that high-income renters in rent-regulated apartments benefit by paying two- to three-times lower rent below market than low-income rent-regulated households. *See* Josh Barbanel, Wealthy, Older Tenants in Manhattan Get Biggest Boost From Rent Regulations, wall st. j. (June 12, 2019), https://www. wsj.com/articles/wealthy-older-tenants-in-manhattan-get-biggestboost-from-rent-regulations-1156034440

The idea that rents are raising so exponentially from lease to lease to cause displacement of low-income households is simply not supported by the data. Anecdotally there are examples, but the large majority of renters saw little to no increase over the last three years – rent-stabilized or market. The data reveals that luxury rentals are the one type of housing that has seen an increase in rents above pre-pandemic levels, again illustrating who would benefit most from an expanded rent control policy. Regular rental housing is still below pre-pandemic levels and is not yet recovering. For example, apartments without a doorman in NYC have a median net-effective rent of $2,560, a 7.4% increase year over year — but still 11.2% below October of 2019. In other words, the lower end of the market is still operating in a deficit relative to pre-pandemic levels. This is because the pandemic hurt lower-income renters more than it did higher-income renters. See https://www.marketplace.org/2021/11/11/what-rising-rents-mean-for-inflation/.

This is not to suggest that working class households who are seeing significant rent increases don't need assistance. When a long-term tenant is facing displacement because of a significant rent increase, there should be rent assistance programs to help that household remain in that unit, or in that neighborhood. But rent regulation as a broad policy does more harm than good, and doesn't provide nearly as much benefit to low-income households as it does for high-income households.

New Solutions Are Necessary

New and more progressive solutions are necessary. A broad-based voucher system, allowing any household below a certain percentage of area median income (e.g., up to 80% AMI) to afford fair market rent levels would provide the type of targeted housing security, and mobility, for low-income renters and working-class families that you and I would like to see. Those vouchers could come in the form of property tax credits to the property owner, thereby reducing the administrative cost on government of having to create an entirely new system. This is where legislative time and energy should be focused.

But there also has to be a push for more development. Every neighborhood must do their part, but especially the transit rich areas. While there is no question the market needs guardrails and assistance for households on the margins, the supply of housing is still a large driver of rents. And a construction boom can reduce rents. This was seen in the cities of Portland and Seattle. Over the course of two years each city tripled its new housing creation, which had the effect of reducing rents or keeping them steady. See https://reason.com/2018/10/10/booming-construction-and-falling-rents-i/

NYC in particular must be able to build bigger near transit. And the surrounding suburbs, where commuter rails connect to central Manhattan, must do the same around those stations. The solutions are out there, we need elected officials who are brave enough to champion them.