Public Hearing Testimony Before

the

Committee on Housing and Neighborhood Revitalization

On

the “Rent Stabilization Program Expansion and Reform Amendment Act of 2020” (B23-873)

and

the “Hardship Petition Process Reform Amendment Act of 2020” (B23-972)

November 9, 2020

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Good Morning Chairwoman Bonds, Councilmembers, and staff. My name is Randi Marshall, Vice President of Government Affairs for the Apartment and Office Building Association of Metropolitan Washington (AOBA). AOBA is a non-profit member-based association established in 1976 that represents commercial and multifamily property owners and operators in the Greater Washington DC area. Today, I am presenting testimony on the "Rent Stabilization Program Expansion and Reform Amendment Act of 2020" (Bill 23-873) and the "Hardship Petition Process Reform Amendment Act of 2020" (Bill 23-972).

AOBA opposes this legislation because we have grave concerns about the drastic changes to the Rent Stabilization Program that are being proposed in these bills. Multifamily housing providers rely on rents to support the operation and maintenance of a building. Although, the District's existing rent control law already limit rents, the proposed legislation imposes more extreme restrictions on rent increases, which would further reduce the funding needed for maintenance and operations of these buildings.

85 percent of the District's rent-controlled buildings are at least 50 years old and have aging systems that require more costly upkeep than newer and/or exempt buildings. What this means is that restricted rents also produce smaller budgets to maintain and operate the property. However, reductions in rent are not the only obstacle. Both rent-controlled and market rate multifamily buildings have seen property taxes and utility costs increase by double digits over the past decade, while electric and water rates are projected to increase at least 25% in the next few years, respectively. Multifamily rental housing is also seeing the cost of financing, insurance, and other building costs continue to skyrocket, all of which significantly out pace CPI every year. Without the 2% in the annual increase formula and the vacancy increase, housing providers of rent-controlled buildings will not be able to maintain their properties and continue to cover these increasing operating costs. Rent-controlled buildings that face additional rent restrictions will see a decline in the quality of rental housing.

This legislation will also have another unintended victim: The District Government's property tax revenues. Annual property tax assessments for multifamily rental housing is based on the total amount of rent collected and expenses disbursed. By further reducing rents at the same time expenses continue to soar the Council will also reduce its property tax revenues. This seems to be a counterproductive fiscal position, in a time when the District Government budget is already anticipated to see several years of funding shortfalls and when more Washingtonians will need government services and relief.

Finally, the proposed expansion of rent control to now exempt buildings constructed before 2005, will drastically reduce the development of new rental multifamily housing. By mandating that a multifamily building be rolled under a rent control regime after 15 years, will mean that some developers will opt to downgrade the size, design, and materials of a project in order to make the investment feasible. While, the majority will opt to cancel a planned project outright or select a site outside of the District, because the rent restrictions here will be too low to warrant an investment.

Additionally, developers and investors view predictability of a market as a paramount factor in the calculation and decision making of a development deal. These bills will upend investor confidence that the District is a reliable place to put their money. Investors avoid jurisdictions where the laws change unpredictably and in ways that significantly reduce the value of investments. The potential expansion of rent control increases the volatility of a housing market and changes the calculation of development projects.

If this legislation 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, all without creating a single unit of affordable housing.

I want to thank the Committee for the opportunity to testify at this important public hearing.

Thank you.