

# RENT CONTROL IS NOT A SOLUTION TO OUR AFFORDABLE HOUSING CRISIS



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New Jersey is among only four other states (New York, Maryland, California and Oregon) plus Washington, DC, to impose rent control. In New Jersey, rent control, which refers to ordinances enacted by municipalities to set the maximum allowable rent (or create a “price ceiling” on rental housing), is a policy that has been debated for decades. The recent focus on New Jersey’s Affordable Housing crisis for low- and moderate-income families has once again brought rent control policies into the forefront in some municipalities.

While there is strong academic consensus that rent control actually reduces the quality

of life for residents, leads to housing shortages, and erodes the local property tax base, local officials still contemplate this policy as a way to assist their constituents. Sadly, in areas of the state where rent control has been implemented, it has done nothing to tackle the broader issue of providing quality affordable housing for those low-income families who need it. Policymakers at both the state and local levels of government must recognize this fact and look toward developing policy changes that will have meaningful results for the people they seek to assist. NJAA can be a partner in those efforts.

Some policymakers have asked, “If you are mandating low rents, how can that hurt residents?” If you look just below the surface of rent control as public policy, you will see its many significant flaws. At its most basic level, operating an apartment community requires an owner to attract customers (residents), maintain and improve the property, and pay for all of the obligations or expenses associated with that property. No one can argue that property taxes in New Jersey are among the highest in the nation. Also, labor costs in New Jersey are equally high. Couple that with increasing utility and compliance costs, and it is clear that operating apartments in New Jersey is a challenging task.

With that in mind, if municipalities virtually stagnate rental

income through rent control, but expenses continue to rise, landlords have no choice but to reallocate resources from maintenance and improvements to paying those expenses. The result is that buildings begin to deteriorate and the quality of life for residents declines. Clearly, this is not the outcome policymakers are seeking.

Local officials must also contemplate this policy as it pertains to their ability to provide the services demanded by residents, as well as the impact on homeowners. If rents stay virtually stagnant, property tax revenue from those properties remain stagnant as well. As the demands and expenses of running a local government rise, the resources to fund those operations must also rise. So, what happens? The rising property tax burden gets shifted more heavily to homeowners. This again does nothing to tackle the affordable housing dilemma, but it does create a new problem for mayors as they try to explain why property taxes are disproportionately shifting to those homeowners.

What is the solution? NJAA would suggest a multifaceted approach.

## PHASE OUT RENT CONTROL

Allow for the gradual phase out of rent control by protecting existing residents through rent regulations, but when those units become

vacant, let them go to market rent. This is called permanent vacancy decontrol. The result would be a gradual increase in the overall rent over time, without hurting existing residents. As units return to market rent after vacancy, the increased revenue can be used to further maintain and improve the property. This benefits existing and new residents alike. Furthermore, from a mayor or councilmember's perspective, tax revenue from those buildings also rises, which mitigates or eliminates the shift of the property tax burden onto homeowners.

### ADEQUATELY FUND GOVERNMENT PROGRAMS

Federal and state programs must be funded or created to assist in the development of affordable housing. The federal Low Income Housing Tax Credit (LIHTC) program along with project-based Section 8 are two of the most widely used tools that are offered. If federal and state programs are enhanced or created respectively, this will increase the supply of the affordable housing that is available. This result will be more choices for low- and moderate-income families and less upward pressure on rents.

### INCREASE FUNDING FOR VOUCHERS

NJAA, along with many tenant advocates, would like to see more federal funding for Section 8 vouchers or what is commonly referred to as Housing Choice Vouchers. Vouchers assist low-income tenants by subsidizing some or all of the rent paid for housing. This allows low-income families more choices, and they can seek communities where the schools are better and crime is low. Expanding those subsidies would have positive effect on the quality of life for many low-income families. It should be noted that New Jersey is well ahead of the curve in mandating that landlords cannot discriminate against a prospective tenant with a voucher. It is viewed as a source of income, but a potential resident cannot be turned away simply because he or she has a voucher.

### PRIORITIZE PRESERVATION AND PRODUCTION EQUALLY

New Jersey needs to prioritize preservation and production of affordable housing equally. Regardless of how many new units are built, the existing housing stock needs to be maintained and improved. As part of any new incentive program for the development of affordable housing, assistance for the preservation of existing affordable housing must be included.

When it comes to tackling New Jersey's Affordable Housing crisis, decisions on policy solutions will determine whether we fail or succeed. Rent control cannot be part of that equation because it simply kicks the can down the road and accelerates the deterioration of our existing housing stock. Alternatively, a multifaceted approach as outlined above would make great strides toward a successful outcome. NJAA urges state and local policymakers to view us as a partner. We have resources and ideas at our disposal, and we stand ready to work with decisionmakers toward finding solutions. NJAA members are part of the solution, not the problem.



## LEARN MORE ABOUT THE LOCAL IMPACT OF RENT CONTROL

Educating local and state officials is the first step. To assist you, NJAA has created a resource outlining the impact that rent control has on communities throughout New Jersey.

Visit NJAA's website [njaa.com/resources/white-papers-reports-fact-sheets/](http://njaa.com/resources/white-papers-reports-fact-sheets/) to download a brochure that you can provide to your local officials to assist in educating them on rent control.

If you'd like to receive a printed brochure, please contact NJAA at 732-992-0600 and ask for a member of the government affairs team.