

## WHY STABILIZE RENTS

PROVIDES STABILITY TO TENANTS  
AND  
REASONABLE RETURN TO LANDLORDS

ITS CALLED RENT STABILIZATION!

## MOST BELIEVE:

- IF SUPPLY OF HOUSING INCREASES,
- RENTS WILL DECREASE TO AFFORDABLE RENTS
- RESEARCH SHOWS THE OPPOSITE

## ADDING SUPPLY DOESN'T REDUCE RENTS TO AFFORDABLE LEVELS.

### STUDIES:

- *The Impact of New Housing Supply on the Distribution of Rents* This version: February 26, 2020; first version: January 10, 2020. Andreas Mensea, School of Business and Economics, University of Erlangen-Nuremberg, Findelgasse 7, 90402 Nuremberg, Germany. andreas.mense@fau.de Abstract
- The impact of market-rate new housing supply on the local rent distribution. As an exogenous shifter of new housing supply, adding 1 new housing unit to the stock for every 100 rental housing units offered on the market in a given month reduces rents by 0.4-0.7%.
- ONLY REDUCED RENTS BY 0.4-0.7%

## \*ADDING SUPPLY DOESN'T REDUCE RENTS TO AFFORDABLE LEVELS.

### STUDIES:

- **Supply Skepticism: Housing Supply and Affordability**
- Vicki Beer, Ingrid Gould Ellen, Katherine O'Regan, NYU Furman Center, NYU Wagner School and NYU School of Law
- It is worth underscoring, that allowing more market-rate construction will not address the housing needs of all households. For at least the lowest income households, even the moderation of rent increases that results from expanded supply will likely be insufficient to make homes affordable to them.
- Some skeptics argue that even if additional supply could help make housing more affordable in the short run, it won't in the long run because the additional supply will induce more demand, especially among buyers or renters wealthier than the existing residents in the neighborhood (Paulmon, 2015).
- In this case, the argument is that by making the jurisdiction more affordable, adding housing supply will attract new demand – both from current residents who would otherwise leave, and from people living elsewhere who will now choose to move to the jurisdiction.
- Further, the argument goes, lower rents and prices may also induce latent demand – people who are living with roommates or family members may choose to form their own households (Ellen & O'Regan, 2007). ... That additional demand will drive prices back up until supply can again respond, causing housing to be more affordable, at best, only cyclically, according to the argument, and increasing the density of the jurisdiction, with the attendant costs of congestion.

RECEIVED AT HLU MEETING ON 09/16/2024

### ADDING SUPPLY DOESN'T REDUCE RENTS TO AFFORDABLE LEVELS.

- Austin Texas, KUT 90.5 by Audrey McGlinchy, 9/10/24
- In 2021 monthly rent rose 25%. Builders built 51,000 homes.
- Now rents in Austin Texas are declining, down 4%.
- But, according to Orphe Divounguy, senior economist at Zillow, that 4% decrease, does not mean more affordable.
- Economists predict Austin's falling rents won't last beyond next year.
- Average monthly rent now \$1500-\$1800.
- A 4% decline FOR \$1800 is \$72 dollars.

### ARGUMENTS AGAINST RENT STABILIZATION

LANDLORD won't participate in program, they won't REGISTER:

- Let's not assume the majority won't REGISTER, when they have an incentive and consequence for not REGISTERING.
  - NY recently raised penalty for not registering and it increased the rate of those registering.
  - "Landlords register tens of thousands more rent-regulated apartments under threat of fines", thecity.nyc by Alyssa Katz 8/16/24.
  - "99% of rent stabilized property owners have complied... after raising the fine."
- 
- "LL in favor of rent control-Gregg-in favor of rent control, and would register. Doesn't want to testify-called 9-11-24"

### Rent Stabilization is perfectly legal.

- Courts have upheld rent stabilization laws in the US for over four decades.

### Modern rent control/stabilization does not impact new housing.

- In 2011, a study of Winnipeg rent controls found that more housing was built after rent control was enacted.
- Accordingly, the boom and bust cycles of local housing construction are driven by the overall health of the economy, not rent control/stabilization.

**Landlord will take their rental off the market, remodel, and sell?**

- To prevent that action, new rentals after a sale must be rent stabilized.

**Under Rent Stabilization families still get to build Generational Wealth**

**When we rebuild Lahaina, we should not assume those units will be used for Long term rentals?**

- As reported on Maui Now, on 9/1/24, 40% of housing in fire area were Short term rentals.

- Rent Stabilization is better for the local population, rather than out of towners.
- It makes housing less attractive to investors and it is good for community stabilization

WHAT IS NOT RENT STABILIZATION

A PROPERTY TAX RELIEF PROGRAM TO REDUCE RENTS

- Landlords voluntarily signing up to reduce their rents:
- Most Landlords are owner occupied. The OWNER OCCUPIED EXEMPTION IS HIGHER THEN L-T RENTAL EXEMPTION. NO INCENTIVE FOR OWNER OCCUPIED LANDLORDS TO PARTICIPATE.

PROPERTY TAX RELIEF TO REDUCE RENTS-  
NOT RENT STABILIZATION

EXAMPLE:

- MARKET RATE: \$900,000 valued house \* .00587 Non Owner Occupied tax rate
  - = \$5,283 annual tax bill, no LTR tax exemption (don't want to rent at affordable rates)
  - LTR EXEMPTION: (\$900,000 house - \$200,000 LTR exemption) \* .003 LTR Tax Rate
  - = \$2,100 annual tax bill when charging affordable rates
- \$5,283 - \$2,100 = **\$3,183 annual tax savings** for renting at an affordable rate and participating in LTR
- Median market rent for a 1br according to CHHA: \$5,500; Affordable rent for 100% AMI for a 1br: \$2,681
- \$5,500 - \$2,681 = Landlord makes \$2,819 per month more when renting at market rates = \$31,428 more per year to rent at market rates

WHAT WOULD THE LANDLORD DO:

**TAKE \$31,428 more per year in revenue OR  
\$3,183 tax savings.**

PROPERTY TAX RELIEF TO REDUCE RENTS-  
NOT RENT STABILIZATION

EXAMPLE:

- If the county is loosing \$3,183 in income each year x 3000 rentals= \$9,549,000
- How will county make up that tax loss of over \$9 million?
- Cut the County budget?
- Raise property taxes?

PROPERTY TAX RELIEF TO REDUCE RENTS

- We tried this last year with voluntary participation of STRs based on tax incentives.
- The County granted tax exemptions to 1,320 properties, short of the 4,000 units needed to house Lahaina's displaced.
- Despite the promise to landlords of no property taxes, just 1 out of 17 (6%) of Minatoya STR owners signed leases to house fire survivors.
- We have a track record to show that most landlords don't sign up for voluntary programs.
- Source: <https://app.helpingmaui.org/data/minastats>

MAHALO FOR YOUR TIME.

- QUESTIONS?

