MARYLAND MULTI-HOUSING ASSOCIATION, INC.

House Bill 1283

Committee: Environment and Transportation
Date: March 2, 2021
Position: Unfavorable

This testimony is offered on behalf of the Maryland Multi-Housing Association (MMHA). MMHA is a professional trade association established in 1996, whose members consist of owners and managers of more than 210,000 rental housing homes in over 958 apartment communities. Our members house over 538,000 residents of the State of Maryland. MMHA also represents over 250 associate member companies who supply goods and services to the multi-housing industry including towing companies.

House Bill 1283 establishes statewide rent control for properties built before 1985 that are rented at a rate below $2,250 per month and occupied by a tenant that earns less than $150,000 per year. The history of rent control dates back to before the Second World War, but the policy became prevalent in the 1970's. The pervasive misconception that rent control would benefit individuals with lower incomes resulted in disastrous effects, and many of the policies were ultimately repealed or supplanted. What was old, has again become new, and HB 1283 now attempts to establish a version of the same policies that were rejected decades ago.

Montgomery County attempted rent control twice, once from 1973-1977 and again from 1979 -1981. According to a report from Towson University on Montgomery County's policies, "During this period, sales prices for apartment buildings fell substantially, and essentially no new units were constructed or planned for development, despite very low vacancy rates."[1] In spite of the policy's negative impacts, Takoma Park chose to implement its own rent control policy. As the Towson University study notes, "Following the expiration of Montgomery County rent control in 1981, [Montgomery] County property values increased substantially, while Takoma Park values remained stagnant."[2]

When Montgomery County's Office of Legislative Oversight (OLO) recently reviewed a rent control policy considered by the county, OLO noted,

> "Within the field of economics there is broad agreement that rent control and stabilization laws produce negative economic consequences. Housing analyst Lisa Sturtevant succinctly summarized the consensus in the field: 'Economists nearly universally agree that rent ceilings reduce the quantity and quality of housing and that even more moderate forms of rent stabilization have efficiency challenges and negative housing market impacts.'"[3]

As part of their review, OLO reviewed median effective rent changes in Montgomery and Prince George's County. Based on the data provided in the report, rent in both Montgomery and Prince George's Counties has increased more slowly than rent in Washington, D.C. over the past 20 years. As OLO notes, "None of this general data indicates that rents are increasing rapidly in Montgomery County…"

HB 1283 shares many similarities with Washington, D.C.'s rent control law, which was enacted in 1985 and continues to control rent for properties built before 1975. With more than 35 years to take effect, Washington D.C.'s rent control law has resulted in the 3rd highest rental prices in the country and a severe housing shortage.

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[1] Regional Economic Studies Institute of Towson University, Economic and Fiscal Impacts of Rent Control Legislation in Montgomery County, Maryland, June 19, 2015.
[2] Id.
[3] Montgomery County Office of Legislative Oversight, *Economic Impact Statement, Bill 52-20*, 2020.

Confirmed by decades of economic research, Washington D.C.'s results holds true for other locations that have enacted forms of rent control. Simply put, HB 1283 will have the same negative effects that have resulted in Washington, D.C. and other jurisdictions that implemented forms of rent control policies.

The vast majority of Americans reside in locations with no rent control. In these locations, the regulatory atmosphere encourages tenant bargaining power and continuous maintenance and renovation of properties to meet market demands. Simply stated, this atmosphere does not exist in locations with rent control. According to a 2019 National Multifamily Housing Council survey, 34 percent of property owners that operate with rent-controlled locations have already reduced investment or development and 49 percent are considering doing so moving forward.[4] This evidence aligns with the basic economic tenet that government price controls reduce revenue and incentivize investors to look elsewhere.

MMHA's members provide valuable housing options to Maryland's underserved communities, and member investment in properties built prior to 1985 is directly tied to the success of the surrounding community. The powerful nexus between a property and its resident community promotes a beneficial relationship that attracts additional resources for the community, including grocery stores, pharmacies, and employment opportunities. By regulating the price of rent in properties built before 1985, HB 1283 ensures that underserved communities residing in covered properties will be the last to receive investments into their communities.

Current investment in properties built before 1985 is utilized to renovate the building, offer better housing options, and benefit the surrounding community. Under this bill, armed with knowledge that rent prices will remain stagnant in spite of any renovations to properties built before 1985, investors will instead favor communities without rent control. As a result, Maryland's residents that reside in or near rental properties built before 1985 will suffer the most.

In a report reviewing a potential rent control policy in Montgomery County, researchers from Towson University estimated that the county would experience annual tax revenue *losses* of $46.1 million in 2020, increasing to $101.3 million per year by 2025; and a ten-year total tax revenue loss of $538.5 million. Further, the report noted that the State of Maryland would likely experience a direct $327.8 million loss in revenue during the same ten-year period due to unrealized sales and income tax.[5]

Taxes are not the only casualty of rent control policies. As the Towson University report notes, the economic ripple effect of Montgomery County's policy would have resulted in losses of income, foregone construction projects, and reduced employee migration. Based on an econometric model, the report estimated that 70,900 jobs would have gone unrealized, the county would have experienced a $10.4 bill loss of economic output, and workers would have experienced a loss of $5.4 billion in wages.[6]

HB 1283 will severely reduce property investment, result in significant financial losses to residents, and increase rent prices. For these reasons, MMHA respectfully requests an unfavorable report on HB 1283. MMHA is aware that the sponsor may offer amendments that would implement rent control at 3%, but our previous points remain relevant to the discussion. **Even with the sponsor's amendments, MMHA continues to point to decades**

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[4] National Multifamily Housing Council, *Rent Control: A 2019 Recap and a 2020 Look Forward*, (Jan. 15, 2020).

[5] Regional Economic Studies Institute of Towson University, *Economic and Fiscal Impacts of Rent Control Legislation in Montgomery County, Maryland*, June 19, 2015.

[6] *Id*.

of research and empirical evidence that prove rent control does not work and causes harmful disinvestment in established affordable housing, and we respectfully request an unfavorable report on HB 1283.

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