RENT STABILIZATION ASSOCIATION • 123 William Street • New York, NY 10038

City Council Hearing on the Extension of Rent Regulations – Intro. 600 – Res. 188

The 2017 triennial Housing and Vacancy Survey (HVS), intended to establish a housing emergency in order to continue rent regulations, instead demonstrates that the New York City's rental market has evolved into an increasingly deregulated market and should continue to be steered in that direction.

The overall rental vacancy rate of 3.63 in 2017 has steadily been increasing since 2011. But even the increased vacancy rate is suspect. There was an enormous increase in the number of vacant apartments, unavailable for rent to 245,425 of which 78,630 were awaiting or undergoing renovation. If these apartments were added to the 79,190 vacant apartments available for rent, there would not be a technical housing emergency.

In addition, there are clear segments of the market, both geographic and in terms of rent level, where no housing emergency exists. In terms of rent level, the Initial Findings show that the vacancy rate for apartments renting for $2,000 or more per month is 7.42%. Once the granular HVS data has been released, it will be possible to determine that the 5% vacancy threshold is breached at rent level even lower than $2,000.

Geographically, the Initial Findings reveal that the borough of Manhattan has a vacancy rate of 4.73%. However, given the margin of error of this survey, the Manhattan vacancy could well be anywhere in the range of 4.3% to 5.16%. Again, when the actual HVS data are released, it is likely that the area of core Manhattan will have vacancy clearly in excess of 5%.

Since the City council has the authority to extend rent regulations for all housing or for certain classes of housing, based on these findings, there is ample justification to not extend rent regulations for the class of housing renting for $2,000 or more per month and for all rental housing located in the Manhattan core.

The non-vacancy findings of the 2017 HVS all paint a very rosy picture of housing conditions and the position of renters in today's rental market – a picture that is contrary to the image of a housing emergency:

- Incomes are finally rising faster than rents (10.9% versus 8.1% over the last 3-year period)
- Housing and neighborhood conditions are better than ever and even overcrowding has been reduced, an indicator that more households are able to achieve independent living.

- Housing affordability, as measured by the percentage of income spent on rent, has stayed static of the last 9 years leading to the prospect that continued income gains will actually increase affordability going forward.
- Finally, there was a gain of 69,000 housing units over the last three years, leading to largest housing stock on record.

In addition to these findings, it must be noted that rent levels as recorded by the HVS are not at all in line with typical media reports claiming that the average rents in NYC are above $3,000 per month. In fact, the median contract rent for all renters is only $1,337 while rent stabilized apartments are even cheaper at $1,269 per month. Even median asking rents for vacant apartments are only $1,875 per month, dispelling the notion that NYC is high-rent town.

Also notable is the fact that NYC now has almost as many non-regulated apartments as regulated apartments. The non-regulated universe has a vacancy rate of 6.07% while the median contract rent in that sector is only $1,700, indicating that non-regulated housing is doing a better job of meeting renters' needs than regulated tenants.

There is one sour note in the Initial Findings: the median contract rent for all rent stabilized apartments increased by only 2.6% from 2014 to 2016 coinciding with the zero increases imposed by the current Administration. This may be a further boon to tenants but is a growing disaster for the owners of stabilized properties who experienced an increase in operating cost over the same period of more than 5%.

In light of the preliminary findings of the 2017 HVS, the RSA urges the City Council not to extend rent regulations for apartment renting for more than $2,000 per month and not to extend rent regulations for apartments in the Manhattan core.

In addition, we remind the Council that Section 3 of the ETPA specifically allows for the termination of rent regulation when "the regulation of rents pursuant to this act does not serve to abate such emergency...". We submit that after, after 75 years of uninterrupted rent regulation, rent regulation has not served to abate the World War II emergency for which it was introduced as a "temporary" measure.

We submit to the City Council that it is high time to phase out rent regulations, which have failed miserably to abate the housing emergency, and to substitute a program of targeted financial assistance for income-eligible households which would, once and for all, provide benefits only to those truly in need.

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TESTIMONY OF BARIKA WILLIAMS BEFORE
THE NEW YORK CITY COUNCIL COMMITTEE ON HOUSING AND BUILDINGS CONCERNING
EXTENDING THE RENT STABILIZATION LAWS.

March 19, 2018

Good Afternoon. Thank you Speaker Johnson, Chair Cornegy and the members of the Committee on Housing and Buildings for the opportunity to testify on Extending the Rent Stabilization Laws.

My name is Barika Williams and I am the Deputy Director of the Association for Neighborhood and Housing Development (ANHD). ANHD's mission is to advance equitable, flourishing neighborhoods for all New Yorkers. A coalition of over 100 community-based affordable housing and equitable economic development organizations in all five boroughs of New York City, ANHD works at the intersection of community organizing, policy, advocacy, and capacity-building. Our members have developed over 100,000 units of affordable housing in the past 25 years alone and directly operate over 30,000 affordable units.

Earlier this month, the City released its initial summary findings of the 2017 Housing Vacancy Survey (HVS), which is conducted every three years to comply with rent regulation laws. ANHD supports the continued funding and employment of the HVS. It is a rich data and research resource that's gives us the only comprehensive look at New York City's housing market and building conditions. Furthermore, we encourage the NYC Council to explore expanding the HVS from its current 20,000 subject sampling size to a 40,000 subject sampling size, which would allow the housing community to further investigate affordability, market trends, and building conditions in more depth for example by geography, race, class, etc.

The 2017 HVS findings clearly show that New York City is – without question – in the midst of a housing emergency. This is not up for debate. At 3.63, New York City's housing vacancy rate clearly corroborates that New York City's Rent Laws are absolutely still required and that rent regulation must remain in place.

There have been some suggestions that New York City's dire affordability crisis is lessening. This however is a misrepresentation of the full findings of the 2017 HVS data. The overall vacancy rate in NYC has increased from 3.12% in 2011 to 3.63% in 2017. However this singular metric masks what a more thorough examination of what the 2017 HVS data shows: **a continued tale of two New York Cities. For the wealthy, there is a surplus of luxury high-cost housing units, and increasing number of new construction units, and the rent to income ratio (or rent burden) is declining. For the average NYC resident – the vast majority of our households - there are a shrinking number of low-cost units, new market-rate construction units are out of reach, and the rent burden is worsening.** When we examine the 2017 HVS more closely it raises serious new concerns about the direction and stability of our City's housing affordability and specifically our rent regulated housing stock.

The increase in the overall vacancy rate is driven by the unregulated, high-cost top of New York City's rental market. Manhattan's vacancy rate is the highest in the City by an entire point, 4.73%. Manhattan is also the city's highest cost market with a median rent of $2,000 a month, nearly $500 or 25% more than the rest of NYC's boroughs. In contrast, the Bronx's vacancy rate is just 2.71%, 2 points lower than Manhattan. And comparably, the Bronx's median rent is just $1228, nearly $800 lower than Manhattan's.

We see a similar trend when looking at regulated versus unregulated units. **The vacancy rate has declined in every housing category except private non-regulated units. The entire increase in the City's vacancy rate is accounted for within the private unregulated market,** which jumped from 4.61% in 2011 to 6.07% in 2017. There are more

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than 56,000 private unregulated units that are vacant and available for rent. That's nearly enough units to house every homeless household in New York City.

Combined, these paint a clear picture – **the high-cost unregulated housing stock is driving up the City's overall vacancy rate while diminishing low-cost unregulated units have seen a decrease in the vacancy rate, as more and more New Yorkers compete for fewer and fewer of these units.**

Rent Stabilization has been and continues to be a necessity to maintain NYC housing affordability. The median monthly rent in rent stabilized units is $1,269. This very closely aligns with the median household income for New York City rental households, whose 2016 median income was $47,200 putting the affordability mark at approximately $1,200 a month rent. As the 2017 HVS makes clear, **the average New York City renter can afford average stabilized unit's rent; they cannot afford the average private unregulated unit's rent.**

Since 2011, the number of rent stabilized units has fallen from 1,020,700 down to just 966,400 by 2017. This is a 5% decline in our rent stabilized stock over six years, even accounting for new rent stabilized units from programs like 421a. Even more alarming is that **our pre-1947 stabilized housing stock has fallen by 10% overjust six years, from 767,500 to just 692,700.** If we continue to allow the erosion of our rent-regulated units, we will be left with a private unregulated housing stock that does not serve and is not affordable to the average New Yorker. This illustrates how the continued loss of rent stabilized units due to loopholes in the rent laws is all the more problematic.

At present, landlords are free to raise rents during vacancy through the statutory vacancy bonus. This "vacancy" or "eviction" bonus allows huge 20 percent increases in the legal rent stabilized apartments' rent upon vacancy. The structure creates a clear incentive for landlords to harass tenants out in order to create vacancies, raise rents, and eventually deregulate apartments. **ANHD fully supports NY State Senate bill #S1593 (Serrano) and Assembly bill #A954 (Kavanagh) to close this destructive loophole.**

The preferential rent scheme has been a unique tool to allow landlords to raise rents by huge percentages during a tenancy – thus undermining the very stability rent regulation is intended to provide. While preferential rents seem like a good thing for tenants, they easily hide fraudulent legal rents and even when legitimate, weaken tenants' right to renewal leases at increases approved by the Rent Guidelines Board. **ANHD fully supports NY State Senate bill #S6527 (Krueger) and Assembly bill #A6285 (Cymbrowitz) to eliminate the preferential rent loophole.**

Unfortunately, as you the City Council, know, the current New York State Rent Regulation law precludes the City making the necessary changes to address these flaws that comprise the integrity of the law.

ANHD urges the New York City Council to pass the resolution on today's agenda and to pass the Local Law which reaffirms and re-promulgates the findings that a "serious public emergency continues to exist in the housing of a considerable number of persons within the City of New York." Rent Stabilization and rent control are more than a critical tool of the city's housing affordability infrastructure. **The Rent Laws address the fundamental severe power imbalance between tenants and landlords, which is further exacerbated by our City's chronic housing shortage. They are a matter of justice for New York City tenants exercising their right to housing.**

ANHD and our member groups I hope that all of you will join the tenants, neighborhood activists, community-based organizations, CDCs, advocates, and housing experts who will be working to address these problems at the state level. We look forward to working with members of the City Council over the next year to ensure that we protect and strengthen our rent regulation laws.

Thank you again for your time and the opportunity to testify.

Testimony of the New York City Department of Housing Preservation and Development to the New York City Council Committee on Housing and Buildings

2017 Housing and Vacancy Survey (HVS) and the Continuation of Rent Control and Rent Stabilization in New York City

Monday, March 19, 2018

Good morning, Speaker Johnson, Chair Cornegy, and members of the Housing and Buildings Committee. I am Matt Murphy, Deputy Commissioner of Policy and Strategy at the New York City Department of Housing Preservation and Development.

I am joined by my colleagues, Elyzabeth Gaumer, Assistant Commissioner of Research and Evaluation, and Francesc Marti, Assistant Commissioner of Government Affairs.

I would like to thank the Committee for welcoming us today to discuss rent regulation, a vital topic that fundamentally concerns the future of New York City.

New York City continues to face a housing affordability crisis that causes too many of our residents to pay a larger share of income for housing than they can sustain. This day-to-day reality forces many to make strategic trade-offs—to delay payment of other critical expenses, go into debt, or fall short on paying the rent, which we know places them at greater risk of eviction and, in more dire situations, homelessness. This is a crisis that requires action at every level of government.

Despite constant federal budget threats, locally we have made great strides to both address the crisis head on, as well as to create and update the tools we need over the long-term to confront this issue:

I'd like to take a moment to provide an overview of these tools. Together with the support of the City Council, Mayor de Blasio has committed an unprecedented amount of resources to build and preserve affordable housing. HPD expanded the commitment to affordable housing production and preservation with the announcement of HNY 2.0, which laid a road map to expanding the HNY plan to create 300,000 units by 2026. This announcement was coupled with

the dedication of $13.5 billion in Mayoral capital to be spent towards affordable housing production and preservation through 2026. The Administration has financed the construction of 28,492 units, and the preservation of 59,065 units towards our HNY goals. Last calendar year, HPD financed more than 24,500 affordable homes. About fifty percent of that housing serves households that earn under $43,000 for a family of three.

Since 2014, the administration has provided funding for legal services and legislation to guarantee legal counsel for 180,000 low-income tenants facing eviction. We have also taken part in a multi-agency anti-harassment task force with our State colleagues. We have worked to expand the SCRIE and DRIE programs to freeze the rents of more eligible seniors and New Yorkers with disabilities. We have also worked with the City Council to pass laws that prohibit harassing tenants with buy-out offers, enhanced enforcement tools to address poor housing conditions, bring cases in Housing Court against owners who do not comply with outstanding violations, and seek findings of contempt and jail against recalcitrant landlords when necessary. We also worked with the City Council to expand a Certification of No Harassment policy to prevent displacement in areas most at risk by requiring a review of a building's recent history upon application for a material alteration, and a new Speculation Watch List, which is a data-driven approach to help protect residents from the threat of investments in rent regulated buildings that could be an indicator they will be asked to leave to make way for higher paying renters.

This work complements what Rent Regulation laws accomplish, which speaks to the importance of a comprehensive approach. For example, over the past few years, the Rent Guidelines Board issued historically low rent increases for the 1 million rent stabilized units in our city, which protected against rapidly rising rents for those regulated households.

But the data we are here to discuss today shows that there are significant and continuing challenges we face:

The data we will show today indicates a mismatch between supply and demand – in fact, the typical New York City renter household is unable to afford an apartment at the median rent. The strong demand for housing combined with the recovered financial health of the multifamily market has led to large scale new construction and development throughout the city. Given that the demand for housing consistently outpaces available supply, it is vital that the supply of available housing grows. This administration has worked to ensure that as supply grows, the private market is required to provide affordable housing. For example, the passage of the Mandatory Inclusionary Housing program, the strongest inclusionary housing program in the nation, ensures that as the supply of housing grows through a rezoning action, a portion of that housing is permanently affordable.

While vital, the growth in supply alone is not enough to address the housing shortage, which affects all New Yorkers, but acutely falls on those households that are able to afford only the lowest cost units. The pressure of market demand and lack of supply places everyday New Yorkers at risk of sharp rent increases, harassment, and displacement from their homes and communities.

This brings us to the importance of Rent Stabilization laws. Rent Stabilization laws provide a critical resource for about 1 million New York City households that must be protected and strengthened in order to provide lower income households the choice to live in our great city amidst our housing crisis. The law provides the largest source of low-cost housing in the city, and offers critical tenant protections that enable residents to remain in their homes and exercise the choice to stay in their neighborhoods. Rent stabilization also supports our affordable housing work. HPD-financed units become stabilized in exchange for our investments, which provides an extra layer of protection for those renters.

The rent law reforms of 2011 and 2015 made progress toward protecting our rent stabilized stock. By our estimates, these reforms helped to retain 100,000 units that otherwise would have exited rent stabilization.

But given the market pressures facing our City, it is critical we do more. That's why in the coming 15 months we will be strongly advocating for additional rent regulation reforms to keep New Yorkers in their homes and curb predatory landlord practices. Our rent stabilization agenda in 2019 will be built on these principles:

1. Retaining the rent stabilized stock and the quality of this stock over the long-term
2. Preserving affordability of this stock, especially at lower rents
3. Ensuring current tenants are secure in their homes and neighborhoods; and
4. Protecting the benefits of rent stabilization for future tenants

As we prepare to enact and advocate for additional reforms in Albany in 2019, we will be meeting with stakeholders in order to create a comprehensive rent regulation reform agenda. Your partnership, feedback, and advocacy is essential in this process. As this process unfolds it remains clear that it takes a comprehensive approach to address our affordable housing shortage; extending Rent Stabilization is essential to this overall effort.

Before turning to Assistant Commissioner Gaumer, I'd like to reemphasize what an enormous priority this is for the Mayor and administration as we work towards creating and sharpening policies that work to make New York City America's fairest city. Rent stabilization laws are the key to remaining an economically diverse city and a thriving cultural metropolis, and I know this is a focus we all share.

I am Elyzabeth Gaumer, Assistant Commissioner of Research and Evaluation at HPD. Thank you for the opportunity to appear before you today to testify in support of Resolution Number 188-A and Introduction Number 600-A. These two important measures represent local confirmation of the continued housing emergency in New York City, and are required in order to continue our system of Rent control and Stabilization. Simply put, they are what makes the extension of the Rent Control and Rent Stabilization Laws possible.

As you know, the City Council must pass these two pieces of legislation 30 days after receipt of findings of the Housing and Vacancy Survey, and the Mayor must sign the legislation before April 1st. HPD submitted selected initial findings of the 2017 HVS to the Council on February 9th, 2018. Our testimony today will present initial findings of the 2017 New York City Housing and Vacancy Survey.

This survey of the City's housing stock has been carried out every three years since 1965. It is the longest running housing survey in the country and is of critical importance for understanding how our City is changing and what we can and should do to support improvements in policy and programming. Its methodology has remained consistent over time, with only minor changes to improve reliability and validity. It is conducted by the United States Census Bureau at the request of the City of New York. Interviews for the current survey were conducted between January and June 2017, making it the most up-to-date representative data on New York City currently available.

As required by State and Local law, the purpose of the survey is to establish the net rental vacancy rate, which is used to determine if New York City is in a state of housing emergency. Local law also requires that a survey be conducted to examine the supply of housing, the condition of housing, and the need for continuing regulation and control of residential rents and evictions.

Today, we will share key statistics on the current state of housing as well as provide a more detailed portrait of the rent stabilized stock and tenants living in stabilized units. As with past waves of the HVS, more detailed analysis will be made available over the coming months and the Census Bureau plans to release the microdata later this summer for analysis by the range of policymakers, policy researchers, and academics who utilize the HVS in their work.

The 2017 Housing and Vacancy Survey reports the vacancy rate in rental apartments in New York City to be 3.63 percent, significantly below the 5 percent net rental vacancy rate threshold set forth in State and Local Laws as the condition determining that a housing emergency continues to exist.

As the figure shows, the net rental vacancy rate varies by rent level. Among the lowest cost units—those with asking rents below $800—the vacancy rate is 1.2 percent while among the highest rent levels it is above the 5 percent threshold. Units with asking rents of $2,000 to $2,499 have a 5.2 percent vacancy rate and those with asking rents at or above $2,500 have a 8.7 percent vacancy rate.

New York City continues to see growth in the housing inventory. In 2017, we estimate that the stock comprises 3.47 million units. This is the largest stock recorded since the HVS began in 1965. As a reminder, this estimate is a snapshot of the current housing stock and the increase of 69,000 units since 2014 represents a net change that results from both loss of stock and new units created.

The low vacancy rate, despite this record-breaking housing stock number, indicates that although supply has continued to increase, it has failed to keep pace with the continuing demand for housing.

In 2017, there were 966,000 rent stabilized units, representing 44 percent of the overall rental stock. As with our estimates of the overall housing inventory, this represents a point-in-time estimate that accounts for both the loss of rent stabilized units as well as newly stabilized units that have come online.

We continue to improve the data and methodology of the HVS. For 2017, we again improved the accuracy and validity of our rent stabilized estimates. This estimate of 966,000 units is statistically equivalent to the number of units that were rent stabilized in 2011 and 2014 if the same methodology were applied.

As the map shows, these units are located through the five boroughs but are concentrated in the Bronx and Manhattan as well as parts of Brooklyn and Queens. The areas where we see the fewest number of rent stabilized units are parts of the City where we know that homeownership rates are high.

The HVS measured housing conditions in several ways, including through self-report of the current occupants regarding maintenance deficiencies. One important measure of housing quality is the count of items reported, with five or more deficiencies representing a unit with critical deficits. In 2017, 3.6 percent of renter-occupied units reported five or more deficiencies. This is the lowest prevalence on record since 1991 when the HVS began using this measure. Although not shown here, we find that housing quality is as good or better on every measure included in the HVS.

Since 1991, the HVS has also collected data regarding neighborhood conditions and quality. In 2017, 76.1 percent of renter-occupied households rated the condition of the residential structures in their neighborhood as "Excellent" or "Good."

As you know, for many years rents continued to increase while wages stagnated. As first seen in other Census surveys, that trend has finally reversed. In 2017, the HVS estimated that household incomes among renters rose by 10.9 percent in real terms while rents increased 6.2 percent. Incomes grew more than rents for both rent stabilized tenants as well as those living in private, non-regulated rental units.

Despite the increase in median income, we continue to face a severe affordability challenge. According to the 2017 HVS, the median household income for renters was $47,200. That's equivalent to a monthly income of $3,933 before taxes.

Using standard federal guidelines that suggest a household should pay no more than 30 percent of gross income on housing costs, the typical renter household could afford to pay $1,180 in rent and utilities.

But the median contract rent in 2017 was $1,337. And it was $1,450 when we factor in the cost of utilities, which are also high. Moreover, the median asking rent of units available right now in the market is $1,875—well above the $1,180 the typical household could afford to pay.

What results is a high prevalence of rent burden across nearly every income level. In 2017, we found that 56 percent of renter households were rent burdened, or paying more than 30 percent of income for housing each month. 32 percent were severely burdened or paying more than 50 percent of income for housing. This graph shows the prevalence of rent burden by HUD Income Limits, or AMI, which is a relative measure of income that factors in differences in household size and local market conditions.

When we roll this up by income group, we see different facets of our affordability crisis. In the first bar, which includes households that are Extremely Low Income (typically at or near the federal poverty line), we see that about half of households or just over 360,000 are rent burdened. Of those who are rent burdened in this income stratum, almost all are severely burdened. The remaining 50 percent—those in the grey part of the stacked bar—are largely served by subsidized housing or otherwise receiving some form of rental assistance.

But in the second bar—these are households designated as Very Low or Low Income—a larger share are rent burdened. Here, about 60 percent are paying more than 30 percent of income toward housing costs each month and that is equivalent to about 425,000 households. Of those, 165,000 are severely burdened. Again, the remainder is either receiving some form of assistance with housing costs or are living in lower cost units in the private market.

The HVS helps us to identify the components of this challenge. One side is rent burden based on the intersection of housing costs and incomes. But another critical component is the overall composition of our rental inventory. Between 2014 and 2017, we saw a large net loss of the lowest cost units as rents shifted upward. The graph shows the number of rental units by rent level as measured by the 2014 and 2017 HVSs. The bars on the left show the number of units renting for less than $1500 in 2014 and 2017; the bars on the right show the number of units renting for $1500 or more in 2014 and 2017. As you can see, over this time period, there was a net decrease of low cost units and a corresponding increase of high cost units.

While we saw an overall increase of 6.2 percent in median gross rent, there is substantial variation by neighborhood. In particular, parts of Brooklyn and Queens have seen substantial increases in median rental costs.
This map shows the changes in median gross rent among rent stabilized units, by neighborhood. As you can see many neighborhoods experienced little or no change in rent. Many of the neighborhoods that saw large increases in rental costs overall, saw lower increases for stabilized units. This is particularly true for parts of Brooklyn (Fort Greene, Bed Stuy, Park Slope), Queens (Ridgewood), and Manhattan (East Harlem, Washington Heights/Inwood, Upper West Side).

In evaluating the continued need for rent stabilization, it is important to examine the demographics of who is served. Here, we see the income distribution of rent stabilized tenants. 64 percent are low income—that is, earn up to 80 percent of HUD Income Limits. That's equivalent to 615,000 households. An additional 23 percent are moderate or middle income.

In summary, New York City continues to face a housing emergency with a net rental vacancy rate of 3.63 percent.

While we have added to the overall stock of housing, it is insufficient to keep pace with demand. We continue to have about 966,000 rent stabilized units in our City, located throughout the five boroughs.

Both housing and neighborhood conditions are good and many dimensions have improved since 2014.

There is a clear continuing need for rent regulation in New York City.

The 2017 HVS shows that while renter incomes have increased more than rents, there continues to be an affordability crisis. Half of renter households are rent burdened; one third are severely burdened. Median rents are not affordable to the typical New York household. Rent stabilized rents rose less sharply and represent a large and generally lower-cost portion of our stock. Moreover, the majority of rent stabilized tenants are low-income.

Taking all of these first findings into consideration, we find that New York City continues its state of housing emergency. The shortage is particularly acute for lower income households who face the lowest vacancy rates and a shrinking stock of lower cost units. It is clear from the 2017 HVS that we must not only continue to add to the overall stock to address our emergency, but specifically add lower cost units and work to retain existing units with lower rents in order to support everyday New Yorkers who face continued affordability challenges.

Thank you for the opportunity to testify. We are happy to answer any questions.

Queens Legal Services

Legal Services NYC

TESTIMONY OF LEGAL SERVICES NYC ON PROPOSED INT. NO. 600-A AND PROPOSED RES. NO. 188-A

Legal Services NYC welcomes the opportunity to give testimony before the New York City Council on the critical topic of affordable housing. Legal Services NYC is one of the largest law firms for low income people in New York City. With five borough offices and numerous outreach sites, Legal Services NYC's mission is to provide expert legal assistance that improves the lives and communities of low income New Yorkers. Legal Services NYC annually provides legal assistance to thousands of low income clients throughout New York City. Historically, Legal Services NYC's priority areas have included housing, government benefits and family law; in recent years, Legal Services NYC has vastly expanded services in areas of need critical to our client base, including consumer issues and foreclosure prevention, unemployment, language access, disability, education, immigration, and bankruptcy.

RENT REGULATION PROTECTIONS

Rent regulation provides one of the few protections for New Yorkers in retaining and maintaining affordable housing. While the median asking rent for an apartment jumped 33.9% between 2014 and 2017, it only jumped by 2.6% in rent regulated units. For families with fixed incomes, or jobs that fluctuate seasonally, this security is a key component to having a stable home. And a stable home provides everyone in the household with a number of intangible benefits – the ability for children to remain in their current school district, without having to uproot; the ability for people of all ages to form community ties and take pride in their neighborhoods; and most importantly, the ability to feel safe and secure without market forces leaving people uncertain about where they'll lay their heads that night.

Without an extension of Rent Stabilization protections, thousands of low income and working families would almost immediately be forced into the City's shelter system.

I work in Queens, a borough where a there is a large percentage of unregulated housing and, as a result, a large number of evictions based solely on the whims of landlords. Rent Regulation ensures that tenants are able to remain in their homes, as evictions are restricted to causes specified by law. Rent Stabilized Tenants also have the right to lease renewals and succession rights for remaining family members, rights that ensure that affordable housing doesn't simply disappear as a result of market forces.

These protections aren't hypothetical: I've fought those battles, and ensured that children retain

the home they've lived in all their lives, and succeed in tenancies where their families have resided for multiple generations; I've argued against frivolous proceedings and ensured that people aren't evicted simply because a landlord is litigious. These protections are real, important, and necessary. I've personally ensured that a senior citizen remained in her home when a landlord tried to evict her for allegedly always paying her rent late, retaining her housing and fighting off the unfair proceeding brought against her.

By the same token, I've seen families enter the shelter system when evicted, without cause, from their unregulated housing. Because they've had no rent regulation protections, I've had to represent people with newborns, as well as parents of children with severe mental disabilities, who were all evicted. I had the unfortunate luck of just litigating a case where a woman, who had limited functionality of her hands, and a severely mentally incapacitated son, was evicted by her landlord for no reason. The premises were not rent stabilized, and her protections were non-existent.

SHORTAGE OF AFFORDABLE HOUSING

Although rent regulation is an indispensable lifeline for working families, the Council is aware that the system has numerous loopholes that are readily exploited by landlords, and that exacerbate the shortage of affordable housing. Vacancy decontrol provides an irresistible incentive to landlords to deregulate apartments by performing cosmetic improvements upon each vacancy and raising the rents above the decontrol threshold. In addition, preferential rents result in increases far beyond those allowed under the rent stabilization code, and thus in eviction. Landlords also use Major Capital Improvement increases, which stem from work done to rent-stabilized building systems, often while leaving individual apartments in disrepair, to push apartments out of rent regulation.

In addition, severe overcrowding increased 18% city-wide in the past year, an increase that results from families and young adults living together in order to afford increasingly unaffordable rents. Traditionally, increases in overcrowding are a precursor to waves of shelter applications. The situation has been compounded by the shrinking stock or affordable housing in the city. This fact is best demonstrated by the following: in 2017, the number of units renting for over $2,000 increased by nearly 100,000 units, while the number of units with a rent below $1,500 fell by over 165,000 units, all while 1.5 million New York City households can't afford to pay more than $1,500 in rent.

Without the continued protections of Rent Stabilization, the situation would be far, far worse. We therefore thank the City Council for addressing this important issue, and look forward to continuing our work helping the residents of New York City.

March 19, 2018
Testimony of Oksana Mironova, Housing Policy Analyst, Community Service Society
New York City Council Committee on Housing and Buildings – Public Hearing on the Extension of the Rent Laws

Thank you for this opportunity to comment on the vital importance of rent control and rent stabilization laws for New York City's tenants. My name is Oksana Mironova and I am a Housing Policy Analyst at The Community Service Society (CSS), an independent nonprofit organization that addresses some of the most urgent problems facing low-income New Yorkers and their communities, including the effects of the city's chronic housing shortage.

Rent control and rent stabilization are fundamentally a response to this chronic shortage, which creates a severe power imbalance between tenants and landlords. The primary purpose of the laws is to prevent landlords from exploiting this imbalance to impose large rent increases and arbitrary evictions. This is a matter of simple justice, even before we consider the effects of rent regulation on affordability. This alone should be a sufficient reason for this committee, the City Council, and the mayor to extend the laws as they are authorized to do under state law.

Unfortunately, the affordability the rent laws provide falls short of what the city needs, partially as a result of specific loopholes within the law: vacancy deregulation, the vacancy bonus, and preferential rents. Beyond extending the laws, I hope that you will join tenants and advocates who will be seeking to strengthen the rent laws on the state level this year.

Rent Regulation within the Context of a Growing Economy

The rent laws are also an important complement to the city's economic development activities. When public resources are used to promote economic development, all New Yorkers should benefit. But too often, economic development leads to rent increases, and only those who can pay the increased rent can share in the benefits. Those who cannot pay are either displaced or subject to severe rent burdens. Rent control and rent stabilization are important tools for alleviating the negative side effects of economic development policy. They ease displacement pressures. This is also an important reason for the city to extend the rent laws.

Data included in the *Selected Initial Findings of the 2017 New York City Housing and Vacancy Survey* (presented by the New York City Department of Housing Preservation and Development to the City Council in February 2018) points to rapidly increasing market rents, likely spurred by both the broader economic recovery and public economic development

efforts. The median asking rent increased from $1,443 (April 2017 dollars) in 2014 to $1,875 in 2017, 29.9 percent above inflation. For comparison, asking rents between 2011 and 2014 went up by 2.1 percent above inflation, from $1,371 to $1,400 (See: http://www.cssny.org/news/entry/demystifying-housing-data). Given a rising rental market, rent protections afforded by rent stabilization and rent control are paramount.

The rental market in New York City is rising within the context of a growing economy, as measured by multiple indicators, including declining unemployment. However, low-income New Yorkers, defined as those with incomes below 200 percent of the federal poverty line, have not reaped the same post-recession benefits as higher income households (incomes above 400 percent of the federal poverty line). According to analysis of American Community Survey data conducted by CSS Policy Analyst Irene Lew, "the real median income of employed, working-age (18-64) households in New York City increased by 8 percent since the end of the Recession, from $71,544 in 2010 to $77,000 in 2016... However, the growing ranks of higher-income households are driving up overall median incomes—the number of working higher-income households rose by 12 percent since the end of the Recession. Meanwhile, despite higher employment, increases in the minimum wage and other new worker protections, the number of working poor and near-poor households have barely budged."

Rent Regulation and Low-Income Tenants

With increasing market pressure and stagnating wages, New York City's rent control and rent stabilization laws protect about one million households, including over 400,000 low-income households. It is important to note that the rent laws are not a housing affordability program like public housing or Section 8 vouchers. Many rent regulated tenants are rent burdened, paying more than 30 percent of household income. This is confirmed in the *Selected Initial Findings of the 2017 New York City Housing and Vacancy Survey*, which shows a median rent burden of 33.3 percent for rent-stabilized tenants and 40.2 percent for rent-controlled tenants.

Despite this, rent regulated housing is an essential resource for low-income households. According to the *Selected Initial Findings of the 2017 New York City Housing and Vacancy Survey*, median contract rents in rent stabilized apartments in 2017 were $1,269; in non-

regulated units they were $1,700, a 29 percent difference. Accordingly, the rent stabilized vacancy rate was also much lower, 2.06 percent, as compared to 6.07 percent in the non-regulated units. While the rent laws are not an affordable housing program, they do help stabilize rental costs, which makes them more accessible to low-income people. The median household income in rent stabilized apartments was $44,650, as compared to $67,000 in unregulated units, a 40 percent difference.

As we wrote in *Making the Rent: Tenant Conditions in New York City's Changing Neighborhoods* (See: http://www.cssny.org/publications/entry/making-the-rent-2016), in 2014 the median rent burden for low-income rent regulated tenants was 48 percent, compared to 50 percent for unregulated tenants (2017 HVS data for low income households is not yet available). While seemingly small, the significance of 2 percent of income should not be underestimated. For a family earning $20,000 a year, it is the difference between after-rent income of $10,000 in an unregulated apartment and $10,400 in a regulated one. For a family on a tight budget, that $400 can make a real difference.

Importantly, the rent laws create a mechanism to mitigate the immense pressure of the rental market on tenants. They allow the Rent Guidelines Board to take the economic situation into account when setting rent adjustments. With the skyrocketing rental market in 2015 and 2016, the Rent Guidelines Board enacted two rent freezes. This had an impact: the median rent for rent stabilized apartments rose from $1,237 in 2014 (April 2017 dollars) to $1,269 in 2017, an increase in 2.6 percent above inflation. In comparison, median rents in unregulated apartments rose from $1,546 (April 2017 dollars) to $1,700, or 10 percent above inflation.

The two rent freezes have had a measurable impact on low-income New Yorkers. In 2017, as part of Community Service Society's annual Unheard Third survey, we asked low-income renters to rank how much of a problem affording the rent was for their household. The share of rent regulated renters reporting a very serious or somewhat serious problem with affordability decreased by 13 percent from 2015 to 2017 to 37 percent. In comparison, the share of unregulated renters reporting a very to somewhat serious problem declined by only two percent, to 48 percent (within the survey's margin of error).

Beyond affordability, the rent laws provide a foundation for a number of other programs that extend support to vulnerable New Yorkers, including the Senior Citizen Rent Increase Exemption (SCRIE), Disability Rent Increase Exemption (DRIE), and the city's groundbreaking Right to Counsel program, which will provide all low-income tenants with access to an attorney when facing an eviction in Housing Court.

The Need for Stronger Rent Laws

Rent regulation is an important piece of the city's housing affordability landscape. However, as illustrated by the relatively high median rent burdens among low-income rent regulated tenants, the affordability it provides still falls short of what the city needs. This is only partly because rent regulation is a system of rent and eviction protections, conceptually distinct from a true affordability program. The problem is also caused by specific weaknesses in the laws, which often stem from pro-landlord amendments that have been made to the laws as they have been renewed over the years.

Vacancy deregulation, the vacancy bonus, and preferential rents undermine the affordability of rent regulated apartments. For example, as described in Community Service Society's *Making the Rent*, the largest contributor to rent increases in rent stabilized apartments is the vacancy bonus, which allows an automatic increase of about 20 percent when an apartment becomes vacant and turns over to a new tenant. This mechanism explains 49 percent of the citywide total increase in stabilized rents above inflation between 2011 and 2014.

Unfortunately, as you know, state law precludes the city from making changes to address these defects. But I hope that many of you will join the tenants, neighborhood activists, and advocates who will be seeking solutions to these problems at the state level this year. We must not allow rent regulation to erode until it becomes a socially stigmatized residual program for a handful of people. As a broad-based program focusing on fairness rather than subsidy, rent regulation has an important place in our city's housing policy system. I urge you to pass introduction and resolution in front of you today.

THE LEGAL AID SOCIETY

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TESTIMONY OF THE LEGAL AID SOCIETY

IN SUPPORT OF INT. 0600-18, A LOCAL LAW TO AMEND THE ADMINISTRATIVE CODE OF NEW YORK, IN RELATION TO THE CONTINUATION OF THE PUBLIC EMERGENCY REQUIRING THE REGULATION OF RESIDENTIAL RENTS AND RES. 0188-2018 RESOLUTION DETERMINING THAT A PUBLIC EMERGENCY REQUIRING RENT CONTROL IN THE CITY OF NEW YORK CONTINUES TO EXIST AND WILL CONTINUE TO EXIST ON AND AFTER APRIL 1, 2018.

New York City Council Committee on Housing and Buildings

March 19, 2018

Thank you to Speaker Johnson, Chair Cornegy, and the New York City Council Committee on Housing and Buildings for the opportunity to speak at this very important hearing.

The Legal Aid Society

This testimony is submitted on behalf of the Legal Aid Society. The Society is the oldest and largest program in the nation providing direct legal services to low-income families and individuals. The mission of the Society's Civil Practice is to improve the lives of low-income New Yorkers by providing legal representation to vulnerable families and

individuals to assist them in obtaining and maintaining the basic necessities of life — housing, health care, food and subsistence-level income or self-sufficiency. The Society's legal assistance focuses on enhancing individual, family and community stability by resolving a full range of legal problems in the areas of housing and public benefits, foreclosure prevention, immigration, domestic violence and family law, employment, elder law, tax law, community economic development, health law and consumer law

The Legal Aid Society welcomes this opportunity to testify before the New York City Council Committee on Housing and Buildings concerning the continuing housing emergency and the importance of extending the rent laws.

Introduction

The primary purpose of rent regulation in New York City has been to eliminate abnormal rents in an overheated market. Indeed, the Rent Stabilization Law's stated goal is to protect "public health, safety, and welfare...and to prevent exactions of unjust, unreasonable, and oppressive rents and rental agreements." Rent Stabilization can only exist during a housing emergency which is defined by law as a market where the vacancy rate has fallen below 5 percent. New York City first declared an emergency in 1974. This emergency has endured throughout the years but the crisis which had been chronic has become acute. Because the vacancy rate is so low, tenants cannot move and exercise market power. The Rent Stabilization Law was meant to – and has acted to – approximate the workings of a market where both parties have the power to negotiate contracts.

This purpose of this committee hearing is to consider whether that housing emergency continues to exist and thus whether Rent Stabilization and Rent Control should be extended. Our answer to these questions is yes. The Selected Findings of the Housing Vacancy Survey (HVS) demonstrates that for renters in New York City the vacancy rate is

3.63 percent - well under the 5 percent threshold. Thus, the emergency continues to exist and these essential laws must be extended. If the City does not act, millions of New Yorkers will be at risk of "unjust, unreasonable and oppressive rents" and will face "uncertainty, hardship and dislocation." Without rent regulation, programs that have been created to protect our elderly residents and residents with disabilities, such as SCRIE (the rent increase exemption law for senior citizens) and DRIE (the rent increase exemption law for persons with disabilities), will become meaningless, and elderly New Yorkers and New Yorkers with disabilities will be threatened with eviction and homelessness.

While the City Council has an immensely important task in declaring a housing emergency and extending the rent laws, unfortunately this body cannot address the severe problems facing rent stabilized and rent control tenants. Because the New York State Legislature amended the laws to include loopholes that allow landlords to charge oppressive rents and offer oppressive rent agreements, many rent stabilized households are living in fear of losing their homes and communities. These loopholes have incentivized landlords to harass tenants out of their homes and their communities. Until Albany fixes the rent laws by ending the eviction bonus and the preferential rent loophole, tenants will remain insecure in their housing. One of the most astounding findings in the 2017 HVS is that the median asked for rent – the rent for people who are looking for housing – increased, in three years, almost 30 percent to $1875. The Legal Aid Society's clients cannot afford apartments renting for $1875.

We appreciate the work that this committee and the entire City Council has done to address tenant harassment and tenant displacement but I would be remiss if I did not point out that our State Legislature and Governor must act soon to address this crisis.

Who Lives in Rent Regulated Housing?

Rent stabilization primarily serves low-income people, people of color, and immigrants.[1] The median household income for rent-stabilized households is $44,560 a year and the median income for rent controlled households is $28,250. The median income of households in private non-regulated rent units is $67,000. The median income for homeowners is $87,000. [2] 44.3 percent of renter households live in rent-stabilized units.[3] Overall, over 400,000 low-income families live in rent-regulated housing.[4] 41 percent rent-stabilized tenants are low income(with incomes up to 200 percent of the federal poverty line).

Declining Affordability of Housing

Many New York City renters are facing dire circumstances. In the face of fewer rental opportunities and higher prices, renters are suffering from a growing disparity between what they can afford and their actual rent. According to the Selected Initial Findings of the 2017 New York City Housing and Vacancy Survey, the median rent for rent-stabilized apartments rose from $1,237 in 2014 to $1,269 in 2017; an increase of 2.6 percent above inflation[5]. While rents in rent-controlled apartment decreased from $928 to $915, median rent burdens for rent-controlled households increased dramatically 30 percent

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[1] Email from Tom Waters, Community Service Society to Ellen Davidson.

[2] Gaumer, E. Selected Initial Findings of the 2017 New York City Housing and Vacancy Survey. New York, NY: New York City Department of Housing Preservation and Development:, available at http://www1.nyc.gov/assets/hpd/downloads/pdf/about/2017-hvs-initial-findings.pdf Accessed March 15, 2018.

[3] Id.

[4] Victor Bach & Tom Waters, Community Service Society. *Making the Rent. Before and After the Recession*, May 2016 at 24.

[5] Gaumer, E. Selected Initial Findings of the 2017 New York City Housing and Vacancy Survey. New York, NY: New York City Department of Housing Preservation and Development:, available at http://www1.nyc.gov/assets/hpd/downloads/pdf/about/2017-hvs-initial-findings.pdf Accessed March 15, 2018.

in 2014 to 40 percent in 2017[6]. While households incomes have begun to recover from the Great Recession, median rent burdens for rent stabilized households remain high at 33.3 percent in 2017[7].

Tenants continue struggle to pay rent and obtain the necessities of life. Median gross rents increased 3.1 percent between 2015 and 2016.[8] The poverty rate in New York City was 20.3 percent in 2016, compared to a nation-wide poverty rate of 14.7 percent.[9] The average number of cash assistance cases in New York City increased for the seventh time in the past eight years by 2.4 percent in 2016, following an increase of 5.7 percent in 2015.[10] And, despite the decrease in the number of food stamps recipients between 2014 and 2015 to 1.7 million, this number is still more than double what it was in the early 2000s.[11] There are increasing numbers of tenants facing the potential loss of their homes. Landlords are suing tenants more often for money that they do not have; increasing rents will only lead to more evictions and homelessness. An individual would have to work an astonishing 114-120 hours per week at minimum wage, 52 weeks a year, in order to afford an average two-bedroom apartment in New York City.[12] Alternatively, the individual would need a wage increase to at least $31.48 per hour, or $65,480 a year, in order to afford the same apartment.[13]

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[6] Id.
[7] Id.
[8] NYC Rent Guidelines Board, *2018 Income and Affordability Study*. 11.
[9] *2012-2016 American Community Survey 5-year estimate, US Census.* https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk
[10] NYC Rent Guidelines Board, *2017 Income and Affordability Study*, 14.
[11] NYC Rent Guidelines Board, *2017 Income and Affordability Study*, 15.
[12] NYC Rent Guidelines Board, *2017 Income and Affordability Study*. 12.
[13] NYC Rent Guidelines Board. *2017 Income and Affordability Study*. 12.

Declining Availability of Housing

Unfortunately for New York renters, declining affordability is coupled with declining availability. The net vacancy rate of rent-stabilized units was 2.06 percent in 2017 compared to a City-wide vacancy rate of 3.63 percent, significantly below the 5.0 percent threshold that legally defines a housing emergency.[14] The number of vacant units affordable to low-income New Yorkers is even more meager. In 2017, the vacancy rate for all units with rents less than $800 was only 1.15 percent.[15] The 2017 vacancy rate for units under $1000 was only 2.09 percent.[16]

The decrease in availability of affordable vacant units is exacerbated by the loss of at least 151,222 rent-stabilized housing units in the last 22 years, primarily due to high-rent vacancy deregulation.[17] Units that remain available are increasingly out of the range of low-income New Yorkers. Between 2000 and 2012, the number of units in New York City renting for less than $1000 declined by over 400,000.[18] According to the recently released HVS, between 2014 and 2017, the number of units renting at under $1500 decreased by 166,000 or 12.4 percent.[19] During the same time period, the number of units renting at over

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[14]. Gaumer, E. Selected Initial Findings of the 2017 New York City Housing and Vacancy Survey. New York, NY: New York City Department of Housing Preservation and Development;, available at http://www1.nyc.gov/assets/hpd/downloads/pdf/about/2017-hvs-initial-findings.pdf Accessed March 15, 2018.

[15] Id.

[16] Id.

[17] NYC Rent Guidelines Board, *Changes to the Rent Stabilized Housing Stock in New York City in 2015*, 9, 13. (As noted in the report, these numbers are a floor or a minimum count of units loss as registration of deregulated units with DHCR is voluntary).

[18] Scott M. Stringer, New York City Comptroller, *The Growing Gap: New York City's Housing Affordability Challenge*, 2014, 6.

[19] Gaumer, E. Selected Initial Findings of the 2017 New York City Housing and Vacancy Survey. New York, NY: New York City Department of Housing Preservation and Development;, available at http://www1.nyc.gov/assets/hpd/downloads/pdf/about/2017-hvs-initial-findings.pdf Accessed March 15, 2018.

$1500 increased by 149,000 or 21 percent.[20] And in the last three years, apartments renting for over $2000 increased by 99,594 units.[21]

A recent report from the Coalition for the Homeless analyzed the historical context of the mismatch between low-income New Yorkers need for affordable housing and the numbers of affordable units. The findings are extremely concerning. In 1999, there were 1,178,994 low income households needing affordable apartments renting for under $800.[22] At the time, there were 1,351,367 apartments renting for under $800[23]. Today, there are 867,811 households needing apartments renting under $800 in order to access affordable rents[24]. According to the recently released HVS, there are now 349,862 apartments available to these low income New Yorkers[25]. Nearly one-third of New York City renters are severely rent burdened, paying more than 50 percent of their income toward their rent.

The scarcity of available rent-stabilized housing is a part of an overall decline in the availability of affordable housing. There remain only 77,000 units covered by either the Mitchell-Lama program or the federally subsidized Project Based Section 8 program. This is a loss of 35 percent since 1990.[26]

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[20] Id.
[21] Id.
[22] Giselle Routhier, *State of the Homeless 2018: Fate of a Generation*, Coalition for the Homeless, March 2018
[23] Id.
[24] Id.
[25] Id.
[26] Oksana Miranova, *Closing the Door: Subsidized Housing at a Time of Federal Instability*, Community Service Society, March 2018.
http://lghttp.58547.nexcesscdn.net/803F44A/images/nycss/images/uploads/pubs/Closing_the_Door_FINAL_WEB.pdf

Applicants for public housing face similar shortages: 257,143 families are on the waitlist for NYCHA public housing, with 146,808 applicants on the waiting list for Section 8 housing vouchers in New York City.[27]

This combination of market forces and governmental decisions has worked together to have a devastating effect on low and moderate income New Yorkers. The declining number of vacant units available for rent, the fact that housing expansion has not kept pace with population growth, and the ongoing public housing crisis have all contributed to the scarcity of available affordable housing.

Growing Problem of Homeless Families

The scarcity of affordable housing, rising rents, and the increasing cost of living have contributed to record use of the City's shelters in 2018. In the last decade, the number of homeless New Yorkers sleeping in municipal shelters has risen an astonishing 82 percent.[28] The period for which those families remain in temporary housing remains an average of 400 days, the longest average recorded.[29] At the end of 2017, an average of 63,495 men, women and children slept in New York City's homeless shelters.[30] Three-fourths of New Yorkers sleeping in shelters are members of homeless families, including 23,600 children[31].

Close the loopholes in the Rent Stabilization and Rent Control Systems

Unfortunately, while renewal of the rent laws is essential, renewing the rent laws alone does not address the instability and affordability crisis faced by rent regulated tenants. Albany must move this year to end the preferential rent loophole. The preferential rent

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[27] New York City Housing Authority, "Facts about NYCHA," available at https://www1.nyc.gov/assets/nycha/downloads/pdf/factsheet.pdf. Data accessed May 9, 2017.
[28] Giselle Routhier, *State of the Homeless 2018: Fate of a Generation*, Coalition for the Homeless, March 2018.
[29] Id.
[30] Id.
[31] Id.

scheme has been a unique tool to assist landlords in raising rents by huge percentages during a tenancy. While preferential rents seem to be a good thing for tenants, preferential rents easily hide fraudulent legal rents and even when legitimate, weaken tenants' right to renewal leases at increases approved by the Rent Guidelines Board. At this moment, over 30 percent of all regulated rents are preferential. Increasingly, attorneys from the Legal Aid Society have clients that are too afraid to complain about dangerous conditions in their homes. Tenants with preferential rents fear requesting repairs because they know that at the end of each lease term, they risk losing their homes and facing homelessness. Additionally, rewarding landlords with 20 percent increases for pushing tenants out of their homes is unacceptable in a City where we have lost one million apartments affordable to low income New Yorkers in the past 20 years. The Community Service Society's Making the Rent 2016 analyzed rent increases between 2011 and 2014 and found that 48 percent of the rent increases in rent stabilized apartments could be attributed to the eviction bonus. It is long past time to close these loopholes.

Extend the Rent Stabilization and Rent Control laws.

In light of the continuing housing emergency, the City must extend the Rent Stabilization and Rent Control laws. In Section 2 of the Emergency Tenant Protection Act, the Legislature found that

> a serious public emergency continues to exist in the housing of a considerable number of persons in State of New York . . . there continues to exist in many areas of the state an acute shortage of housing accommodations caused by high demand, attributable in part to new household formations and decreased supply, in large measure attributable to reduced availability of federal subsidies and increased costs of construction and other inflationary factors.

The Legislature further found

> preventive action by the legislature continues to be imperative in order to prevent exaction of unjust, unreasonable and oppressive rents and rental agreements and to forestall profiteering, speculation and other disruptive practices tending to produce threats to public health, safety and general welfare; that in order to prevent uncertainty, hardship and dislocation, the provisions of this act are necessary. . . .

These words are as true today as they were in 1974 when the ETPA was enacted. For all these reasons, we urge this Committee to extend the Rent Stabilization and Rent Control Laws.

Conclusion

Thank you for the opportunity to testify before the New York City Council Committee on Housing and Buildings today. We hope that the City will extend the rent laws and protect the housing of over one million families.

Respectfully Submitted:

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MEMORANDUM IN SUPPORT

MARCH 22, 2018

THREE IMPORTANT PRO-TENANT BILLS

There are dozens of bills necessary to strengthen rent and eviction protections and to reverse the phaseout of affordable rental housing in New York City and suburban counties. Numerous deregulation amendments have been inserted into the rent laws in the last 25 years, with predictable results: the supply of affordable housing has shrunk dramatically, both regulated and market rents have soared, homelessness is at record levels, and the remaining rent-protected tenants have targets on their backs.

The Real Rent Reform Campaign, a coalition of more than 40 grassroots housing and tenant organizations, has identified the following three bills as priorities for the current legislative session. Enactment of these three bills is essential, before legislators leave Albany in June.

S3482/A433

This bill repeals Vacancy Deregulation, which allows landlords to take apartments out of rent regulation whenever they turn over and also restores rent stabilization protections to 98 percent of the units that have been lost to Vacancy Deregulation. This is the single most meaningful step the Legislature can take to reverse the loss of our dwindling affordable rental housing stock.

Vacancy Deregulation, first inserted into state law in 1993, is an ill-conceived measure which has caused the loss of between 300,000 and 450,000 affordable apartments in New York City and the suburban counties of Nassau, Rockland and Westchester. If it is not repealed, the entire rent and eviction protection system will be phased out over time.

Vacancy destabilization has created a perverse incentive for landlords to do everything they can to drive tenants out of their homes. The uptick in harassment, both overt and subtle; the speculative purchase and flipping of rent-stabilized and Mitchell-Lama properties at prices that vastly exceed reasonable commercial standards; increased evictions and aggressive attempts at eviction by means such as owner use, non-primary residence, and similar tactics – the motivation for all of this destructive behavior is the chance landlords see to remove units from rent and eviction protections, and thereby increase profits for already profitable properties.

Raising the threshold for deregulation, from $2,000 to $2,500 monthly rent in 2011, and to $2,700 in 2015, were ineffective half-measures, which some tried to claim as great tenant victories. For the big landlords, their rents are already above the threshold, or if not, they will spend the necessary funds on Individual Apartment Improvements to bring the rent up to the threshold. Dishonest landlords, however, don't spend funds on improvements; they simply stop registering the apartment annually with the state housing agency and hope the tenant does not file a complaint. If four years pass without complaint, the landlord gets away with this illegal deregulation.

There is no substitute for outright repeal of Vacancy Deregulation. Attempts to beef up enforcement against bad landlords by state and local governments have been useful, but not as useful as repeal of the incentive for all this destructive behavior. Not to mention the public benefit of restoring and preserving our scarce affordable rental housing stock.

S3482 Sponsors: Stewart-Cousins, Addabbo, Alcantara, Avella, Benjamin, Dilan, Gianaris, Hamilton, Hoylman, Krueger, Montgomery, Parker, Peralta, Persaud, Rivera, Sanders, Stavisky

...OVER...

A433 Sponsors: Rosenthal L, Lentol, Dinowitz, Gottfried, Colton, Titus, Ortiz, Benedetto, Hooper, Glick, Mosley, Zebrowski, Weprin, Davila, Pichardo, Bichotte, Mayer, Abinanti, Simon, Joyner, Quart, Rozic, Blake, Seawright, Walker, Richardson, De La Rosa, Barron; M-S Cook, Cymbrowitz, Jaffee, Peoples, Stokes, Perry, Pretlow, Rivera, Sepulveda

S6527/A6285

This bill closes the preferential rent loophole. A preferential rent is a discounted rent when the registered rent (which, in many cases, incorporates illegal rent hikes) exceeds the actual market value of the apartment. Landlords can revert to the higher rent when tenants renew their leases, leading to sudden, massive rent hikes, often hundreds of dollars, which accelerate gentrification by forcing tenants to give up their homes and move. Some 266,000 families in New York City have preferential rents, and thousands more in the three suburban counties, meaning they are one lease renewal away from eviction. This bill mandates that landlords renew rent-stabilized leases at the preferential rent level until the tenant voluntarily vacates, which was the law until 2003.

S6527 Sponsors: Krueger, Addabbo, Alcantara, Avella, Bailey, Benjamin, Comrie, Dilan, Gianaris, Hamilton, Hoylman, Kavanagh, Montgomery, Peralta, Persaud, Rivera, Sanders, Savino, Serrano, Stavisky

A6285 Sponsors: Cymbrowitz, De La Rosa, Walker, Rosenthal L, Barron, Dinowitz, Ortiz, Carroll, Sepulveda

S1593/A9815

This bill repeals the "statutory vacancy bonus," a 20 percent rent increase enacted in 1997 that landlords get every time an apartment turns over. This is, in effect, an eviction bonus, as it gives bad landlords an irresistible incentive to harass and evict long-term tenants.

There is a connection between the preferential rent loophole and the statutory vacancy bonus. With these two enactments, the legislature created an outright scam that is victimizing tenants and destroying housing affordability, especially in low-income communities of color.

Here's how it works: the landlord rents a rent-stabilized apartment to a new tenant at a preferential rent (let's say at $1,100 per month), when the registered rent is $1,800. A year later, the landlord sends a lease renewal notice to the tenant, offering to renew for $1,800 plus the rent adjustments authorized by the city or county Rent Guidelines Boards. Unable to afford a $700+ per month rent increase, the tenant vacates, whereupon the landlord re-rents to another unsuspecting tenant, again with a preferential rent. Before doing so, however, the landlord is allowed to add a statutory vacancy bonus of 18-20 percent (in this example, $360) to the registered rent, moving it closer to the deregulation threshold. Another year goes by and the scam is repeated once more.

According to the NYS Division of Housing and Community Renewal, at least 55 percent of apartments with preferential rents have registered rents that are likely illegal. Our weak rent laws promote churning of apartments, displacement, illegal rent overcharging – and illegal deregulation.

S1593 Sponsors: Serrano, Addabbo, Alcantara, Avella, Benjamin, Dilan, Gianaris, Hamilton, Hoylman, Krueger, Parker, Peralta, Persaud, Sanders, Savino

A9815 Sponsors: Pichardo, Cymbrowitz, Rosenthal L, Carroll, Sepulveda, De La Rosa, Dinowitz, Bichotte, Taylor, Barnwell, Ortiz, Mosley

The Real Rent Reform Campaign urges enactment of these three bills – this year. Elected officials who genuinely care about protecting tenants and preserving affordable housing must act now, rather than waiting until next year, when the sunset of the rent and co-op laws has been deliberately set for eight months after the November 6 statewide election.

Enterprise®

FOR THE RECORD

Testimony of Elizabeth Ginsburg
Senior Program Officer
Enterprise Community Partners, Inc.

To the New York City Council Committee on Housing and Buildings
Proposed Res. No. 188-A

March 19, 2018

On behalf of Enterprise Community Partners, I would like to thank Chair Cornegy and the City Council Committee on Housing and Buildings for convening today's hearing on extending the rent stabilization laws. This hearing is an opportunity to discuss a critical tool at the city's disposal to help stabilize communities and prevent displacement.

Enterprise is a national nonprofit organization that provides capital for affordable housing and community development, advocates for policies that advance these goals, and supports local groups working on these issues. Since our New York office opened in 1987, we have committed nearly $3.4 billion in equity, loans, and grants to help create or preserve over 60,000 affordable homes for nearly 160,000 residents in the region.

The 2017 New York City Housing and Vacancy Survey released last week found that the citywide net rental vacancy rate was 3.63%, which triggers the declaration of a "housing emergency." Additionally, the vacancy rate in 2017 for rent-stabilized units overall was 2.06% and, on the whole, vacancy rates decrease as the more affordable a unit is. The vacancy rate for apartments with rents under $800 per month is a mere 1.15%, highlighting the extreme shortage of housing affordable to households with the lowest incomes. The HVS underscores the need for rent regulations to protect the city's lowest income households, and we fully support the Council voting to extend the rent stabilization laws.

As the Council and the city well know, building affordable housing in New York is incredibly costly, and the city is investing record amounts of money to help meet the extreme demand. We must ensure that as we build new housing, that existing housing remains affordable. Rent regulations have been part of the fabric of New York City for nearly a century. While the declared housing emergency affirms the need for the renewal of the rent laws, additional data on

Enterprise®

regulated units show that the New York State Legislature must go even further and strengthen outdated rent laws when they come up for renewal in 2019 in order to maintain this critical stock of affordable housing.

Specifically, we are urging the New York State Legislature to reform these elements of the rent stabilization system:

- **Vacancy allowance** – One element that is ripe for reform is the vacancy allowance. Each time a rent-stabilized tenant moves out or is evicted, the landlord is entitled to a 20% rent increase. This high allowance contributes to the loss of rent-stabilized units by speeding the process by which a unit reaches $2,700 decontrol level. If a unit experiences a high turnover in a short period of time, the vacancy allowance will quickly get it to the deregulation threshold. While this frequently happens organically, some bad acting landlords will employ harassment mechanisms so that rent-stabilized tenants will leave and they can quickly bring the unit out of regulation.
- **Preferential rent –** Another component of the rent laws that increasingly poses a problem is the use of preferential rents, which allows landlords to rent apartments for less than the registered maximum amount, with the option of bringing rents back to their higher registered rents at lease renewal. One negative result of this practice is that buildings, particularly in gentrifying areas, are being marketed to buyers as having preferential rents and in some cases indicating just how much the rents could be raised. The sorts of buyers that these ads are directed at would be eager not only to raise preferential rents to the maximum rents, but also get current tenants out so they could drive rents up further, leading to displacement and speeding the pace at which these neighborhoods gentrify.
- **Major Capital Improvement and Individual Apartment Improvement increase** - Landlords can also raise rents when they make capital improvements to their buildings. We fully support there being an incentive for landlords to make vital repairs and invest in their buildings. But safeguards must be put in place to ensure that landlords are not abusing it to make expensive, merely cosmetic upgrades, or claiming an increase simply

March 19, 2018

Julie Hanlon of Dexter House 345 W. 86th St Tenants Association 347 757 9251

Landlords bank on our ignorance or poverty or worse our vulnerabilities. That is why I support Resolution 188-A & Intro 600-A.

Many thanks to Speaker Corey Johnson for putting pressure on Albany, Hon Councilmember Helen Rosenthal for her advocacy in restoring affordable housing for all, and Anna Gago for guiding tenants to acting on their rights under law.

Loopholes in regulation for, an SRO landmark 1924 building means tenants who live here long term face constant and even criminal harassment to force us out of our right to live in permanent rent stabilised homes. It took me four years to prove we have been being slowly poisoned by air laden with chemicals not limited to pesticide poisons where our Manager was found guilty and held accountable while staff and tenants they assigned dispersed illegal banned pesticide poisons mixed with other chemicals up to 24 hours a day in our air. He later admitted guilt (avoided a trial I had ongoing in Housing while they denied all existence of fumes) to paying fines issued. (Now in Motion to restore by Hon. Judge Wendt 001340/16)

A history using these laws to deregulate rooms led by greed, and cruelty to mostly ageing Senior, Disabled, and Elderly female tenants— woven neatly around every loop hole these laws created. With such a need for affordable housing, it is unrealistic to allow regulations to continue. Laws should reflect penalties for landlords abusing tenants and they should be forbidden deregulation where found guilty of harassment or that which dishonestly was reported.

Our Certificate of Occupany says 150 rooms, but we know there are more. but because of these loopholes and fancy lawyers hired by wealthy Landlords they can work out aspects with like rooms declared empty to DHCR to not really be empty. What that looks like for SRO tenants on the ground is the landlord hires Managers who migrate or place "aggressor harassment occupants" for short term abuse of the elderly. Moving them

from room to room to abuse the real SRO Tenants or floor to floor so they can put in illegal higher priced rentals. I know a man that left for 3,000 after his cat was found buried in the wall when he returned from a day trip. Predatorial landlords with little regard for law have no regard for Rent Stabilised tenants using any means to harass or extract them out of their right to live peacefully with security.

Without these laws repealed we are at war to keep our homes, and protect our rights. They constantly raise the rents of single rooms by renting to tourists for 29 days must leave before they would stay the 30th day.

Tenants paying illegally higher rents are another benefit of these loopholes. There is a work stop order in my building. Yet, no regard for law means illegal construction happens while they build luxury standards that tax the rest of the building's plumbing and wiring using non licensed workers?! (no SRO room has a kitchen or private bath but the new higher rent occupants have it built)This means harassment on real tenants because noise and in our case Violations for lead paint dust in the air duration of work largely done after hours so Inspectors never find out. Same with chemicals. I remember telling my Manager for two years I was being electrocuted to a degree when showering, a jolt. His reaction was to laugh not correct.

People disobeying any City Ordinance certainly prove their gain of how to manipulate a system built to protect their gain. This must be stopped.

There is a well orchestrated system enabling harassment to constructively evict long term residents like [redacted],

Repeal Vacancy DeRegulation to stop a system of chronic abuse by predatorial SRO Landlords using these laws to gain in hidden ways.

https://nypost.com/2017/03/12/rent-controlled-tenants-say-landlord-tries-to-oust-them-with-pesticides/

NEW YORK POST

Rent-controlled tenants say landlord tries to oust them with pesticides

By Bill Sanderson

March 12, 2017 | 6:45am | Updated

345 West 86th St.J.C. Rice

Residents of an Upper West Side building say their landlords treat them like roaches and rats by trying to chase them from their apartments with pesticide.

Modal Trigger Jay Wartski.

Late at night, employees at Dexter House — a single-room-occupancy building at 345 W. 86th St. just off Riverside Drive — allegedly walk the building's winding hallways spreading a poisonous mix of pesticide and deodorizer near the apartments of longtime rent-controlled tenants.

"I believe they want to kill me. I have a bad breathing problem," nonagenarian Helen Ball complained last year to the state division of Homes and Community Renewal.

"I strangle if I lie on my back," said Ball's handwritten complaint. "It's difficult to eat or drink . . . I always liked the management . . . I don't know why they now want to kill me."

Ball eventually moved.

Another tenant, speaking on condition of anonymity, told The Post she caught a man spraying under her door at 2 a.m. and suffered rashes and breathing problems presumably from the mystery chemicals.

"I started to get weird odors," she said. "I started to get severe headaches. I started to get nauseous."

After seeing several doctors, she found an ear, nose and throat specialist.

"He said it was something I was inhaling," the woman said.

The tenants' claims gained credence when a state Department of Environmental Conservation inspector found pesticides stored in the building during visits in September and November.

The inspector says Dexter House employees are not certified to use the chemicals and did not keep daily records of their use — in violation of state law.

Legal Aid Society lawyers, who have seen landlords use all kinds of underhanded strategies to rid their buildings of tenants they dislike, are astonished by the allegations. Adan Soltren, who is trying to organize Dexter House tenants for a lawsuit, said if building residents' claims are true, they are among "the more sinister kinds of tactics I've heard of."

Modal Trigger Julie HanlonJ.C. Rice

For years Dexter House residents have accused lead landlord Jay Wartski of seeking to get rid of them so their rooms can be put to more lucrative use.

They live cheaply in one of the city's most desirable neighborhoods, on the Upper West Side near Riverside Park. A five-story single-family town house next door to Dexter House was put on the market in 2013 with an asking price of $50 million.

Julie Hanlon, a Dexter House tenant for 25 years who brought the pesticide allegations to officials, pays $308 per month in rent.

Wartski has a long history as a landlord feared by the city's poor. In the mid-1980s he reportedly spent 30 days at Rikers Island for refusing to repair hazardous conditions at an SRO he owned on Chambers Street in Tribeca.

Wartski, his brother, Allen, and his father, Jerry, were labeled by the Village Voice in 1984 as the city's "most heartless" SRO landlords. Tenant organizers accused Wartski of moving drug dealers and "goons" into one of the family's buildings, which included 25 rooms used by prostitutes.

Dexter House's manager, Robert Goicochea, said the pesticides found by the state inspector were used to provide good service to tenants.

"Whenever a tenant would ask to have his room sprayed, my super would go upstairs and spray in the room with any product he got in the hardware store," Goicochea said.

The state inspector found a spray can of Gentrol, a pesticide used to combat bedbugs and cockroaches, which under state law building workers may not use or possess. Gentrol's active ingredient is a chemical called hydroprene. According to the National Pesticide Information Center, little is known about its effect on humans.

The inspector also found three other containers of pesticides advertised as capable of killing bedbugs. They were legal for the building to possess, but not legal for employees to use, a state official said.

Goicochea acknowledged the issues raised by the state inspector: "He notified us we shouldn't be spraying. He said, 'OK, you guys have to go and get certified.' "

Wartski's lawyer, Jeffrey Seiden, said there is "no validity" to claims that building workers are trying to chase people from the building with pesticides.

"There has been no attempt to evict anybody through the use of illegal chemicals," Seiden said.

But Hanlon says some tenants of the 16-story, 270-unit building stuff paper under their doors nightly to keep fumes from seeping in.

"What they did to us is a horror show," she said.

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for bringing a building back into compliance after years of neglect. Without sufficient oversight, it can be easily abused.

With more than 60,000 people in homeless shelters every night and nearly a quarter of households paying more than half their income in rent each month, New York simply cannot build its way out of this. Low-income families occupy more than two-thirds of the city's rent-stabilized units. The state must take this opportunity to strengthen the rent regulation system and enforce it in order to sustain the city's regulated stock and promote stability in communities.

Thank you for your time and we look forward to working with the City Council and HPD to ensure that all New Yorkers have the safety and security that an affordable home provides.

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TENANTS & NEIGHBORS
THE STATEWIDE CENTER OF POWER FOR TENANTS

Delsenia Glover, Director, Education and Organizing

New York State Tenants & Neighbors

Testimony as Prepared

March 19, 2018

New York City Council Committee on Housing and Buildings

Resolution No. 188-A Intro No. 600-A

Good afternoon. Thank you for the opportunity to submit testimony today.

My name is Delsenia Glover and I am the Director of Education and Organizing for New York State Tenants & Neighbors Information Service and New York State Tenants & Neighbors Coalition, two affiliate organizations that share a common mission: to build a powerful and unified statewide organization that empowers and educates tenants; preserves affordable housing, livable neighborhoods, and diverse communities; and strengthen tenant protections. The Information Service organizes tenants in at-risk rent regulated and subsidized buildings, to help tenants be active in preserving their homes as affordable housing, and organizes administrative reform campaigns. The Coalition is a 501c4 membership organization that does legislative organizing to address the underlying causes of loss of affordability. Our membership organization has over 3,000 dues-paying members.

Tenants & Neighbors organizes in rent-regulated, Mitchell-Lama, and project-based Section 8 developments citywide. In the buildings where we organize, the story is the same. Low and moderate income tenants in New York City are regularly experiencing the pressures of displacement. Rents are climbing and tenants are concerned that they will not be able to afford to stay in their homes and communities. A major cause of the massive affordability and housing crisis is the power of the real estate industry to shape pro-landlord policies and laws.

Tenants & Neighbors is testifying today in support of Resolution no. 188-A and Intro no. 600-A. for the renewal of the rent stabilization and rent control laws, and am here

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also to advocate along with the broad tenant and affordable housing movement for the strengthening of the rent laws.

I would like to thank Speaker Corey Johnson for advocating for the strengthening of the rent laws, and the Chair of the Housing and Building Committee, Robert Cornegy, and all of the members of the Housing and Buildings Committee for agreeing to be allies in this essential fight for the soul and future of New York.

The data that has been released in the Housing and Vacancy Survey outlines the severe housing crisis that low-and moderate income tenants are facing in New York. In the past three years, the asking rent has risen by 30%, rent burdens have grown, and the number of apartments renting for below $1,000 decreased by 87,720 units. This is the experience of our members and tenants across the city suffering because of a crisis of loss of affordable housing and weak rent laws. We are here today to also call on Albany to not just renew the rent laws, but strengthen them as well to fix a broken system. We are calling for the elimination of the vacancy allowance, reform preferential rents, and Major Capital Improvements, and ensure that the rent laws serve the protection and stability of neighborhoods, rather than promoting a fertile ground for speculative investment and tenant displacement.

Thank you very much for the opportunity to testify today. We so appreciate your advocacy to renew and strengthen the rent laws, and partner with us on this key preservation campaign for 2.5 million New Yorkers.

COMMUNITY HOUSING IMPROVEMENT PROGRAM, INC.

Community Housing Improvement Program (CHIP) is a trade association representing more than 3,500 residential building owners in New York City. CHIP has been an active player in city and state housing policy for 52 years, almost as long as this so-called emergency has existed. We thank the City Council for its time and consideration in giving CHIP the opportunity to testify concerning the bill and resolution that would extend rent control and rent stabilization in New York City for another three years.

Testimony of Community Housing Improvement Program In Opposition to Res. 0188A-2018 (determining that a public emergency continues to exist, requiring the extension of rent control) & Int. 0600A-2018 (extending rent stabilization)

Some might say this is like déjà vu all over again. Another NYC Housing Vacancy Survey, another vacancy rate below 5%. Another declaration of emergency by this City Council so that the ineffective policies of Rent Stabilization and Rent Control (collectively "rent regulation") can continue. Since 1965, this declaration of emergency has occurred every three years without interruption. After 17 declarations of emergency and more than 50 years of rent regulation, isn't there enough historical evidence of rent regulation's failure to condemn it as poor housing policy? And if first-hand experience is not enough, there is a significant majority of accredited economists and accredited economic research illustrating that rent regulation doesn't work in the long run. Applying the principal of trial and error, it has become clear that rent regulation is not a solution to the problem the Council is trying to solve. And while rent regulation may arguably provide some benefit to individuals lucky enough to find such an apartment, it punishes everyone else (see the most recent study by the National Bureau of Economics at http://www.nber.org/papers/w24181). The Council should be exploring other policy avenues that will rationally address the problem, giving the tenants of this city an adequate supply of decent and affordable housing. Reliance on rent regulation, although a politically popular position, will only result in more of the same.

If the Council is serious about making housing more affordable to all, it will resist the urge to do what is easy politically (but ineffective), and find the courage to do what is politically hard (but effective). Rental housing will become more affordable if more rental housing is constructed. The Council must encourage more rental

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housing to be constructed by making it cheaper to build, streamlining the approval process, and setting expectations up front rather than through an ad-hoc process. Something is wrong when the only way rental housing can be built is with the use of tax subsidies. In addition, the Council must also look to subsidy programs as the proper mechanism to bring affordability to very low income households – akin to the Federal Section 8 program. Housing subsidies such as the Section 8 Housing Choice Voucher Program have been found to be the best mechanism to target affordable housing subsidies to those in need.

Rent regulation in NYC was implemented to alleviate certain price pressures on renters by preventing rent-gouging, profiteering, and taking advantage of a tight housing market that was overburdened as American soldiers returned home from World War II. However, these wartime and post-war conditions have long since receded, so why does rent regulation still exist? According to the law itself, to alleviate the same price gouging concerns due to a tight housing market, but there is no longer anything in the statute that points to the cause of the tight housing market. So the original cause of the housing emergency has ended, but the housing emergency, and the accompanying rent regulations, still exist. From a logical perspective, it would appear that the continuation of the rent regulations have played a role in maintain the housing shortage. Despite the law's stated purpose to transition from a regulated market to a normal market of free bargaining, it has not yet happened because rent regulation is a self-fulfilling prophecy.

One of the destructive side effects of rent regulation is the deterrence of new housing construction. Not because a new multifamily building would be subject to rent regulation per se (although it could have some aspect of rent regulation if built with certain tax benefits or was subject to a regulatory agreement as part of a zoning change), but because it is almost impossible, and extremely expensive, to build a new building if the old one that needs to be torn down is occupied by rent regulated tenants. First, it is usually impossible to transfer a long-time tenant to another apartment in a neighborhood because a long-term tenant is likely to have a rent below the market rate, and under the rent laws the new apartment would have to be at the same rent. Even where an owner agrees to keep rent levels at the new apartment equivalent to the old apartment and follow the RGB rates for renewal leases, the courts have held, with the City's blessing, that this would not comply with the rent laws. So the only option is to pay the tenants to leave – an extremely expensive and time consuming endeavor, with no guarantee

of success. This expense and uncertainty prevents underdeveloped buildings from being redeveloped to current zoning allowances. In this fashion, the New York City rent laws prevent the efficient utilization of parcels of land suitable for new affordable housing—and this in a city that, according to current and past generations of status quo defenders, is perennially short of affordable housing.

In essence, it defeats the goal of building more housing (and thus making housing more affordable) by deflecting investment from multi-family housing to other sectors of the economy not burdened by the minefield of risks, liabilities, and price controls that fetter multi-family housing in a rent-regulated environment. In other words, investors seeking a competitive rate of return will put their dollars anywhere but multi-family housing—at least multi-family housing in the rent-regulated City of New York.

One can take slender comfort in the mayor's claim, in a January 20, 2018, press release, that "The City has financed [not created] 87,557 affordable apartments since 2014." Whence will come the other roughly 500,000 units needed to address the housing shortage? From the adoption by this Council of practical and proven policy measures to create new housing and to make our existing housing stock more affordable. For example:

1. The City of New York could immediately make available for residential development the "more than 1,000 city-owned properties" currently lying fallow, according to a report released by the Office of the City Comptroller on February 12, 2018. If optimally developed, these vacant lots could support **50,000 to 100,000 new units of affordable housing**. The City Council must amend our antiquated, unduly rigid, and numbingly complicated zoning rules in order to permit such development to occur.

2. The Senior Citizen Rent Increase Exemption (SCRIE) and the Disability Rent Increase Exemption (DRIE) exemplify public policies that work directly to increase the affordability of rental housing, by properly shifting the burden from those who cannot afford to pay their rent to the government, rather than to taxpaying property owners. The federal Section 8 Housing Choice Voucher program is an even better example. These programs could be reformed, expanded, and perpetuated. Likewise, state and local rental subsidies could be increased to compensate for the anticipated federal cuts to Section 8—another example of an effective, targeted policy measure that actually makes housing affordable for persons who need the help, not at the expense of only one class of private citizens, but at the expense of society as a whole.

We note that HPD's "Selected Initial Findings of the 2017 Housing and Vacancy Survey" reports a 3.63% Rental Vacancy Rate. But Table 8 thereof discloses that **245,425** vacant rental units were excluded from the calculation of the Rental Vacancy Rate. We recognize that a certain proportion of these are genuinely unavailable, but the magnitude of this figure should give every member of this Committee pause, in evaluating the need for a renewed "housing emergency" declaration.

Data from the 2017 Housing and Vacancy survey also illustrate that the housing market can work in NYC if allowed to function. According to Table 6 of the 2017 HVS Initial Findings, the vacancy rate for unregulated units was 6.07%. The vacancy rate for all rental units renting between $2,000 and $2,499 per month was 5.2%. Even according to the arbitrary definition of an emergency used by this Council, no emergency exists for rentals at that price point. The Council should declare that no emergency exists for the class of units renting above $2,000.

The media has also picked up on these trends. According to several news reports, rents are declining and new housing supply is making NYC more affordable (see the Wall Street Journal, "New York Housing is Getting (Gasp!) More Affordable," https://www.wsj.com/articles/new-york-housing-is-getting-gasp-more-affordable-1520449102; Bloomberg News, "Manhattan landlords race to fill apartments in declining market," http://www.crainsnewyork.com/article/20180315/REAL_ESTATE/180319947/manhattan-landlords-race-to-fill-apartments-in-declining-market; and The New York Times, "As Brooklyn Towers Soar, a Sinking Feeling for Developers," https://www.nytimes.com/2018/03/16/realestate/brooklyn-development.html). We urge the Council to eliminate rent stabilization in NYC and allow the housing market to function in its purest form, with government subsidies rather than rent freezes to address issues of affordability.

For all the above reasons, we at CHIP urge the City Council to reject both Res. 0188-2018 and Int. 0600-2018.

Thank you again for your time and consideration.

For The Record (RP)

April Sandmeyer- Tudor City Rent Stabilized Tenant- Testimony at City Council Hearing-3/19/18 In SUPPORT of Renewal of city rent control and stabilization laws, Resolution 188A and Intro 166

Thank you Speaker Johnson, Housing Committee Chair Robert Cornegy, and others for your support of stronger rent laws, for helping tenants pressure Albany to close loopholes, and for understanding that merely renewing the city rent laws, in their weakened state, is not an adequate response to our city's housing affordability crisis and homelessness.

The majority of rent regulated tenants are seniors and the disabled, whose low incomes kept them from being able to afford to move. When they lose their apartments, they end up in nursing homes, costing taxpayers millions of dollars, compared to the cost of tax abatements that landlords have now. I witnessed this first hand, as a volunteer,accompanying tenants from my Tudor City neighborhood to Housing Court and otherwise helping them fight evictions, after the bldgs. went co-op and landlords aggressively attempted to repossess their apts. Only one of them is still in her apt. The rest ended up in nursing homes with Medicaid footing their bills. By renewing and strengthening rent regulation laws, YOU WILL SAVE OUR GOVERNMENT MILLIONS OF DOLLARS.

Landlords have an advantage over tenants. They've found more creative, complex, and strategic ways, including, using construction, demolition, and repairs, to get tenants out. In order to defend themselves tenants have to be able to come up with thousands of dollars in advance to get a lawyer capable of tackling landlord's legal experts experienced in how to remove rent regulated tenants. Legal fees are tax deductible to the landlords, but not to tenants. There is misleading hype about protections and free legal services available for tenants. Most legal assistance agencies only have grants to help tenants once they are in Housing Court, and only under very specific simple circumstances, such as non payment.

A 90 yr old I know was "forced" to "temporarily vacate his apt. for repairs to the roof, only to be kept out for more than 5 years. He won't get back in. I am in a similar situation, trying to keep from being forced to vacate my apt., under questionable circumstances, using construction and demolition and have endured harassment for decades.

I was told that no tenant has ever succeeded in a harassment case against their landlord because they are impossible to prove. This needs to be made easier and legal services should help tenants do this. Penalties for landlords' abuses are a slap on the wrist, and inexpensive, compared to the profits they stand to gain by getting rent regulated tenants out.

Recently, I tried to help a retired teacher neighbor that felt she was being harassed by her landlord, find another apt. No one was willing to give her an application unless she earned 45 -65x the monthly rent. We only found one bldg willing to accept her if she paid the year in advance. When her lease is up she has to pay another year up front, but can't afford to keep doing it.

I have spent more than half my life: time, energy, and income, fighting to remain in my home, when I am an ideal tenant and have done nothing wrong. I am tired, but still thankful because I am so much more fortunate than others who do not have as good a command of English, understanding of the legal papers they get or never see, or ability to defend themselves. Thank you.

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MARCH 19TH,2018

TESTIMONY OF THE STOP CROMAN COALITION FOR NEW YORK CITY COUNCIL

IN SUPPORT OF RESOLUTION NO. 188-AND INTRO NO. 600-A

BY CYNTHIA CHAFFEE

CO-FOUNDRESS STOP CROMAN COALITION

NEW YORK CITY COUNCIL
COMMITTEE ON HOUSING AND BUILDINGS
PUBLIC HEARING, MONDAY MARCH 19TH, 2018, 1;00 PM

Subject of Hearing: Resolution No. 188-A
Intro No. 600-A

Cynthia Chaffee
The Stop Croman Coalition

My name is Cynthia Chaffee and I'm the co-foundress of the STOP CROMAN COALITION, and we fully support Resolution 188-A and Intro 600-A.

On behalf of the Stop Croman Coalition, I am happy to be able to present testimony to the city council and we are especially thankful to Corey Johnson, the speaker, for his efforts and leadership to facilitate a campaign to put pressure on Albany to close the loopholes and weaknesses in the state and city rent laws that allow landlords to remove apartments from rent regulations and charge exorbitant rents that the working people of New York City cannot afford to live in. I believe Corey Johnson fully understands that without the strengthening of the rent laws, we will continue to lose rent stabilized units to the point of extinction.

Our landlord Steven Croman is a convicted felon and is currently serving one year in jail due to mortgage fraud. Also, a civil suit brought by the attorney general's office on behalf of tenants who suffered extreme harassment was brought by the Attorney General's office and was recently settled. Under the terms of this settlement he will have to relinquish the management of 106 of his properties to a new management company selected by the attorney general.

Croman has an empire of close to 200 buildings in Manhattan. His "modus operandi" has been to acquire buildings and then begin to start the harassment of rent stabilized tenants to get them out, raise rents and deregulate apartments under the vacancy decontrol laws. He has been able to empty out most of the rent regulated tenants out of his buildings. Vacancy decontrol gives him an incentive to get tenants out using harassment tactics which included frivolous litigation, deprivation of services, use of private agents known as tenant relocation specialists to aggressively pursue buy-out offers even when the agents were told by the tenants that they were not interested.

Helen Rajewsky, a 92 years old woman was forcibly removed by the police at the request of Croman's property managers and taken to Bellevue hospital for "observation" all because she knew her rights and didn't have to open her door to them without 24 hour notice. The property managers called the police and they restrained her, threw her on a gurney and took her to Bellevue. She was released several hours later into a rainy, windy, bitter cold night walking home from the bus stop in her house slippers, that rubbed against the skin of her foot creating an open sore. Ms. Rajewsky is diabetic, the wound didn't heal, and the result was part of her foot was amputated. This is the greed of Steve Croman. Helen has a rent control apartment and he wants it.

Raymond Miskell, is 85 years old and had lived in his RC apt. for 68 years. Croman bought the building and defrauded him of his succession rights, and thus his apartment was stolen from him. He is now living out his remaining years in a Salvation Army Residence, which is also closing, and he will be uprooted again.

Croman's victims are too numerous to mention. You may read more examples in our website: **www.stopcromancoalition.org**. Go to the section The Vulnerable."

Vacancy decontrol has been the engine of displacement and gentrification in our neighborhoods. This incentive has to be eliminated together with the preferential rent loopholes and the statutory vacancy bonus which gives the landlords 20% automatic rent increases upon a vacancy.

The Stop Croman Coalition and I thank Corey Johnson for his leadership and we call upon Mayor De Blasio to help mobilize the city to put pressure on Governor Cuomo to make this fight a priority!

Ms. Norma Schreier, Member

Tenants & Neighbors
Testimony
March 19, 2017
The New York City Council
Hearing
Resolution no. 188-A **and** Intro **no. 600-A**

Good morning. Thank you Speaker Johnson and Chair Cornegy, for your continued support of stronger rent laws and the opportunity to speak to the committee today. My name is Norma Schreier and I am a member of the Rent Controlled Tenants Leadership Committee at Tenants & Neighbors. I am here to speak in support of Resolution no. 188-A and Intro no. 600-A. I am rent controlled tenant living on the Upper West Side, in the same apartment I moved into with my now deceased husband 50 years ago, now living with my disabled daughter, and I am here today to testify on behalf of the approximately 50,000 rent controlled tenants remaining in 22,000 units in New York, down 4,000 units since the previous HVS.

We call ourselves the forgotten rent regulated tenants, because there are about 1,000,000 rent stabilized apartments left in New York, so we do not get much attention. This year, rent controlled tenants lobbied Governor Cuomo for a rent freeze, even stopped traffic in front of his office – a bunch of septuagenarians and octogenarians – and spent the day in jail because we are so desperate to bring attention to the rent control issue.

We believe that the MBR system that controls rent adjustments for rent controlled tenants is outdated, unsustainable, and inhumane.

Think about this: In the 8 years of Governor Cuomo's administration, my rent has increased a whopping 44 percent. I repeat, 44 percent. In the same time, rent stabilized tenants rent has increased only 12%. The same economic conditions that exist in this city for rent stabilized tenants, and their landlords, exists also for rent controlled tenants. Why the discrepancy?

Here's another thought: In 1975, there were 642,000 rent controlled apartments in this city compared to 22,000 currently. Some were folded into rent stabilization, but others, due to the MBR system that controls this form of rent regulation, and if the landlord is not too lazy to file the papers each year, most of

our rents are more that the deregulation threshold for rent regulation, which is $2700 per month.

According to the initial findings from the 2017 Housing Vacancy Survey:

- Between 2014 and 2017 median asking rents in all renter units increased from $1,443 (in 2017 dollars) to $1,875, **by 30%!**
- Since 2014, median contract rents in regulated units increases by 2.6 percent compared to 10 percent in unregulated units. The freeze mitigated the negative impact of the skyrocketing rental market on regulated tenants."

The biennial MBR factor at 7.4% for which we just received an announcement from DHCR, is much too high for rent controlled tenants in my Tenants & Neighbors group and the broader rent control community. With this increase, tenants will continue to pay annual rent increases with no end in sight, and the MBR, which is a promise of greater economic security, will continue to remain elusive.

I will leave you with this: The majority of rent control tenants are senior citizens, living on a fixed income, and their mean income is $28,000 per year. They have experienced the burden of up to 7.5% rent increases each year, along with the fuel pass-alongs, and the unjust burden of higher MCI percentages at 15% for Major Capital Improvement Increases. Though the SCRIE threshold has been lifted which helps some of us, unfortunately, by the time that happened, most of us had already lost our quality of life.

Thank you.

Testimony Of Susan Steinberg
President, Stuyvesant Town—Peter Cooper Village Tenants Association
Before The New York City Council Housing Committee – March 19, 2018

Speaker Johnson, Housing Committee Chair Cornegy, members of the Housing Committee, thank you for supporting the renewal of city rent laws and the strengthening of state and city rent laws by closing loopholes. I am Susan Steinberg, President of the Stuyvesant Town-Peter Cooper Village Tenants Association, and we support Resolution 188-A and Intro 600-A.

STPCV contains approximately 11,230 units and 28,000 residents. In 1947, it was built as a community for people of *moderate* means. In 1980 my one bedroom cost $250 per month. In 2018, despite rent regulations, a one bedroom *starts* at $3156. Figuring 30% of one's income for rent, one must earn $126,240 to afford that one bedroom. That's not moderate. New York City's average annual salary is $68,883. Our cost of living is 129% higher than national average.

So how did a rent regulated community get from moderate to market? Through vacancy deregulation, through weakening of rent laws every time they come up for renewal in Albany, and through loopholes -- vacancy bonuses, preferential rents, and *lots* of major capital improvements that we pay for in perpetuity – loopholes that are bleeding our community, the city and the state of regulated renters.

To afford the rent in Stuytown today, tenants double or triple up and leave at renewal as rents rise. Two thousand units turn over every year, providing a big opportunity for a 20% vacancy bonus. That, plus multiple MCIs we pay for til death push rents to exceed the $2,700/month deregulation benchmark.

To ease the turn-over burden and sting of market rates, management offers preferential rents. Forty percent of our renters are preferential. The difference between the preferential and legal rents can be hundreds or thousands of dollars. Most renters don't understand that the landlord is allowed to raise the rent all the way up to the legal rent on renewal. The Tenants Association gets the calls from tenants suffering from sticker shock when their monthly rent increases by, say, $500.

Renters are at a disadvantage. Owners don't worry every three years about whether they will have a roof over their heads. Resolution 188-A and Intro 600-A must be passed and rent laws strengthened to ensure that housing for hundreds of thousands of tenants is a right, not a luxury.

Thank you council members for the opportunity to testify.

Ed Viera, Jr.

> MPA, MS Ed.

> Disabled PLWA

NYC Council Committee on Housing and Buildings
Public Hearing
March 19th, 2018

Dear Councilmembers:

My name is Ed Viera, Jr. I'm a disabled Special Ed teacher and a person living with AIDS.

I support Resolution 188-A and Intro 600-A.

I also want to thank Speaker Corey Johnson for helping the tenant movement, and for reminding everyone of the affordability crisis we're all facing.

The fact is that the current city rent laws are too weak. Embedded within are loopholes that promote homelessness and economic misery among the disabled, the elderly, fixed- and low-income people.

Merely renewing these laws every few years perpetuates this crisis because the landlords are the ones who benefit the most from them.

We should:

- **Repeal vacancy deregulation and re-regulate units lost to decontrol**

  (Leland Davidson died 2 years ago, his rent-stabilized apartment was deregulated. The new tenant, unable to afford the market rate, is seeking housing elsewhere.)

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- **Repeal the preferential rent loophole that allows landlords to slam rent-stabilized tenants with huge rent increases when leases are renewed**

  (When I renewed my lease in 2016, the rent jumped from $1,100 to $1,250. The landlord told me that that's what HASA agreed to pay. That was a lie.

  Last year I went to Housing Court to fight the rent overcharge. They referred me to DHCR. I filed the Rent Overcharge Application, but haven't heard anything yet.

  To expedite the process, I began withholding my 30% of the rent last February in the hopes the landlord files in Housing Court and I can countersue for the overcharge, a fraudulent apartment registration designed to increase the apartment's market value, and harassment.

  But as long as the landlord can continue to hide behind the preferential rent loophole, my chances are slim.)

- **Repeal the statutory vacancy bonus (eviction bonus) that allows landlords to tack on a 20% rent hike whenever an apartment turns over**

  This means less housing for all of us; and faster gentrification.

I beseech this committee, and the Council as a whole, to fight for social justice and help us amend these laws. This isn't just about me, it's about all of you as well.

Thank you so much.

PICTURE THE HOMELESS

Testimony of Scott Andrew Hutchins
2017 Housing and Vacancy Survey

March 19, 2018

I would like to thank the speaker for inviting us to testify at this hearing, and for the speakers' and council's support for renewing and strengthening the rent laws protecting New York City tenants. My name is Scott Andrew Hutchins, and I am here to represent Picture the Homeless. In two months, I will be a six-year resident of the New York City shelter system, which pays $1,306.91 per month MORE to shelters than the rent of my previous apartment to house me alone.

At Picture the Homeless, we find the results of the survey appalling but not surprising. It reiterates our demand for a registry of all vacant property in the city as called for by Intro 226. The crux of our argument for this necessity is found in the following statistic from the report: Although the city increased its overall housing stock by 69,000 units this year, approximately 65,400 additional units are considered "vacant, but unavailable for sale or rent" than in 2014" This means that net available housing stock, for all practical purposes, went up by only 3,600 units, far lower than the number of people who enter shelter each year.

While developers get tax breaks for creating new "affordable" housing stock, the vast majority is well beyond the means of low and extremely low income people. The net vacancy rate for extremely low income housing is 1.15%, while the net vacancy rate for extremely high income units is 8.74%, and this is an upward trend, whereas extremely low income housing is on the decline from the 2014 survey. With median household income at $57,500, why are we giving tax breaks for housing for people who make over $100,000 per year when so many of these units are vacant? Instead, we should be doing the reverse: in addition to the fees and fines imposed by a vacant property registry, we support the introduction of a pied à terre tax for units that remain vacant for too much of the year.

If the city is really committed to ending homelessness, it cannot be rewarding developers who add to the problem.

Greetings to you Chairperson Cornegy and Speaker Johnson.
My name is Rev Leslie Foltz-Morrison and I live in the Bronx in a rent stabilized apartment. I am here as a member of Met Council on Housing in support of Resolution 188-A and Intro 600-A.

I thank you and all the members and staff of the Housing Committee for your public service on behalf of New Yorkers and concern that renters throughout the city can stay in their apartments and avoid eviction and homelessness.
I am especially concerned about the need to repeal the statutory vacancy bonus which allows landlords to raise a rent stabilized apartment by 20% when a unit is vacated. I have seen in my building in Kingsbridge my landlord has been tempted to take advantage of this loophole these past couple of months after a pipe burst and flooded 3 apartments. My neighbors in these units, 2 of them families with young children, were moved from their flooded 2 bedroom units into vacant studio units in the building, but their rents were not reduced. And the promised repairs on their units still have not begun all this time. With the statutory vacancy bonus loophole, I can see the landlord has a strong incentive to keep dragging out repairs to the units they want to move back into, until they give up and move out. The landlord will then be able to jack up the rent for new tenants, perhaps while not disclosing to new tenants that there has been water damage in these units. It is no wonder why NYC rents are so high with this loophole. In the face of our city's housing crisis, it is essential we protect affordable units and the families who depend on them.

30 years ago this month, the US Catholic Bishops issued a moral challenge for us to view adequate housing as a human right, and it is now harder than ever to advocate for this with the rise of Real Estate Investment Trusts seeing every apartment as an opportunity to put profit over people. You have this important opportunity to thwart this trend and protect millions of New Yorkers to retain adequate housing by voting in favor of this legislation. And I thank you for all your efforts to promote housing for people.

Thank you for the opportunity to testify on these items. For the record, ABO opposes Resolution 188-A and Intro. 600-A.

The definition of insanity is doing the same thing over and over and expecting a different result. Rent regulations have not solved New York City's housing shortage after 75 years. All the economic research indicates it is part of the problem. I am attaching a recent study of the effects of rent regulation in San Francisco as an example. It demonstrates clearly what "Economics 101" predicts: rent regulation actually results in fewer rental apartments, higher rents for free-market units, and less tenant diversity.

It is also worth mentioning that there is no reason to believe, other than a statutory definition, that a less than 5% vacancy rate means an emergency exists. There is no standard for measuring a vacancy rate or a housing emergency. The Housing Vacancy Survey chooses to define about 78,000 units undergoing or awaiting renovation as "unavailable to rent," yet there is no reason to believe that many such units identified at the beginning of the survey period are still unavailable by the end of the survey period, or at least soon after. Also, the HVS shows a vacancy rate well over 5% for apartments renting for more than $2,000 a month. Logically, the Council should at least consider declaring the emergency over for those units.

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The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco *

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October 11, 2017

Abstract

In this paper, we exploit quasi-experimental variation in the assignment of rent control in San Francisco to study its impacts on tenants, landlords, and the rental market as a whole. Leveraging new micro data which tracks an individual's migration over time, we find that rent control increased the probability a renter stayed at their address by close to 20 percent. At the same time, we find that landlords whose properties were exogenously covered by rent control reduced their supply of available rental housing by 15%, by either converting to condos/TICs, selling to owner occupied, or redeveloping buildings. This led to a city-wide rent increase of 7% and caused $5 billion of welfare losses to all renters. We develop a dynamic, structural model of neighborhood choice to evaluate the welfare impacts of our reduced form effects. We find that rent control offered large benefits to impacted tenants during the 1995-2012 period, averaging between $2300 and $6600 per person each year, with aggregate benefits totaling over $390 million annually. The substantial welfare losses due to decreased housing supply could be mitigated if insurance against large rent increases was provided as a form of government social insurance, instead of a regulated mandate on landlords.

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1 Introduction

Steadily rising housing rents in many of the US's large, productive cities has brought the issue of affordable housing to the forefront of the policy debate and reignited the discussion over expanding or enacting rent control provisions. State lawmakers in Illinois, Oregon, and California are considering repealing laws that limit cities' ability to pass or expand rent control. Already extremely popular around the San Francisco Bay Area, with seven cities having imposed rent control regulations, five additional Bay Area cities placed rent control measures on the November 2016 ballot, with two passing. Rent control in the Bay Area consists of regulated price increases within the duration of a tenancy, but no price restrictions between tenants. Rent control also places restrictions on evictions.

A substantial body of economic research has warned about potential negative efficiency consequences to limiting rent increases below market rates, including over-consumption of housing by tenants of rent controlled apartments (Olsen (1972), Gyourko and Linneman (1989)), mis-allocation of heterogeneous housing to heterogeneous tenants (Glaeser and Luttmer (2003), Sims (2011)), negative spillovers onto neighboring housing (Sims (2007), Autor et al. (2014)) and, in particular, under-investment and neglect of required maintenance (Downs (1988)). Yet, due to incomplete markets, in the absence of rent control many tenants are unable to insure themselves against rent increases. A variety of affordable housing advocates have argued that tenants greatly value these insurance benefits, allowing them to stay in neighborhoods in which they have spent many years and feel invested in.

Due to a lack of detailed data and natural experiments, we have little well-identified empirical evidence evaluating the relative importance of these competing effects.[1] In this paper, we bring to bear new micro data, exploit quasi-experimental variation in the assignment of rent control provided by unique 1994 local San Francisco ballot initiative, and employ structural modeling to fill this gap. We find tenants covered by rent control do place a substantial

[1] A notable exception to this is Sims (2007) and Autor et al. (2014) which use the repeal of rent control in Cambridge, MA to study it's spillover effects onto nearby property values and building maintenance.

value on the benefit, as revealed by their migration patterns. However, landlords of properties impacted by the law change respond over the long term by substituting to other types of real estate, in particular by converting to condos and redeveloping buildings so as to exempt them from rent control. This substitution toward owner occupied and high-end new construction rental housing likely fueled the gentrification of San Francisco, as these types of properties cater to higher income individuals.

The 1994 San Francisco ballot initiative created rent control protections for small multifamily housing built prior to 1980. This led to quasi-experimental rent control expansion in 1994 based on whether the multifamily housing was built prior to or post 1980. To examine rent control's effects on tenant migration and neighborhood choices, we make use of new panel data sources which provide the address-level migration decisions and housing characteristics for close to the universe of adults living in San Francisco in the early 1990s. This allows us to define our treatment group as renters who lived in small apartment buildings built prior to 1980 and our control group as renters living in small multifamily housing built between 1980 and 1990. Using our data, we can follow each of these groups over time up until the present, regardless of where they migrate to.

On average, we find that in the medium to long term, the beneficiaries of rent control are between 10 and 20 percent more likely to remain at their 1994 address relative to the control group. These effects are significantly stronger among older households and among households that have already spent a number of years at their treated address. This is consistent with the fact both of these populations are less mobile in general, allowing them to accrue greater insurance benefits.

On the other hand, for households with only a few years at their treated address, the impact of rent control can be negative. Perhaps even more surprisingly, the impact is only negative in census tracts which had the *highest* rate of ex-poste rent appreciation. This evidence suggests that landlords actively try to remove their tenants in those areas where the reward for resetting to market rents is greatest. In practice, landlords have a few possible

ways of removing tenants. First, landlords could move into the property themselves, known as move-in eviction. The Ellis Act also allow landlords to evict tenants if they intend to remove the property from the rental market - for instance, in order to convert the units to condos. Finally, landlords are legally allowed to offer their tenants monetary compensation for leaving. In practice, these transfer payments from landlords are quite common and can be quite large. Moreover, consistent with the empirical evidence, it seems likely that landlords would be most successful at removing tenants with the least built-up neighborhood capital, i.e. those tenants who have not lived in the neighborhood for long.

To understand the reduced form impact of rent control on rental supply, we merge in historical parcel history data from the SF Assessor's Office, which allows us to observe parcel splits and condo conversions. We find that the owners of exogenously rent controlled properties substitute toward other types of real estate that are not regulated by rent control. In particular, we find that rent-controlled buildings were almost 10 percent more likely to convert to a condo or a Tenancy in Common (TIC) than buildings in the control group, representing a substantial reduction in the supply of rental housing. Consistent with these findings, we moreover find that, compared to the control group, there is a 15 percent decline in the number of renters living in these buildings and a 25 percent reduction in the number of renters living in rent-controlled units, relative to 1994 levels.

In order to evaluate the welfare impacts of these reduced form effects, we construct and estimate a dynamic discrete choice model of neighborhood choice. Motivated by our reduced form evidence, we allow for household preferences to depend on neighborhood tenure and age, and allow for monetary "buyouts" where landlords of rent-controlled properties can pay their tenants to move out. The model features fixed moving costs and moving costs variable with distance. A key contribution of the paper, relative to the existing dynamic discrete choice literature, is to show how such models can be identified in a GMM framework using quasi-experimental evidence.

We find that rent control offered large benefits to impacted tenants during the 1995-2012

period, averaging between $2300 and $6600 per person each year, with aggregate benefits totaling over $393 million annually. These effects are counterbalanced by landlords reducing supply in response to the introduction of the law. We conclude that this led to a city-wide rent increase of 7% and caused $5 billion of welfare losses to all renters. We discuss how the substantial welfare losses due to decreased housing supply could be mitigated if insurance against large rent increases was provided as a form of government social insurance, instead of a regulated mandate on landlords.

Our paper is most related to the literature on rent control. Recent work by Autor et al. (2014) and Sims (2007) leverages policy variation in rent control laws in Cambridge, Massachusetts to study the property and neighborhood effects of removing rent control regulations. Our paper studies the effects of enacting rent control laws, which could have very different effects than decontrol. De-control studies the effects of removing rent control on buildings which remain covered. Indeed, we find a large share of landlords substitute away from supply of rent controlled housing, making those properties which remain subject to rent-control a selected set. Further, we are able to quantify how tenants use and benefit from rent control, a previously unstudied topic due to the lack of the combination of appropriate data, natural experiments and estimation methods.

There also exists an older literature on rent control combining applied theory with cross-sectional empirical methods. These papers test whether the data are consistent with the theory being studied, but usually cannot quantify causal effects of rent control. (Early (2000), Glaeser and Luttmer (2003), Gyourko and Linneman (1989), Gyourko and Linneman (1990), Moon and Stotsky (1993) Olsen (1972)).

Our estimation methods build on the dynamic discrete choice literature. Previous work using dynamic demand for housing and neighborhoods has required strong assumptions about how agents form expectations and how all neighborhood characteristics evolve over time (Bishop and Murphy (2011), Kennan and Walker (2011), Bayer et al. (2016), Davis et al. (2017), Murphy (2017)). We relax these assumptions by building on Scott (2013). His

key insight is to use realized values of agents' future expected utility as a noisy measure of agents' expectations. This method allows us to avoid needing to make explicit assumptions about how agents form expectations. Further, we do not need to assume how all state variables transition over time. Both of these assumptions are typically needed to estimate dynamic discrete choice models. Scott leverages "renewal" actions in tenants' choice sets which allows estimation to focus on specific actions in agents' choice sets which exhibit finite dynamic dependence, greatly simplifying the dynamic problem (Arcidiacono and Miller (2011), Arcidiacono and Ellickson (2011)). Our contribution is to show how Scott's method can be generalized to a set of difference-in-difference style linear and instrumental variable regressions that can be used in combination with a natural experiment to identify the model parameters.

Finally, our paper is related to a separate strand of literature on community attachment in sociology. Kasarda and Janowitz (1974) provide survey evidence that length of residence is correlated with various self-reported indicators of neighborhood attachment. We estimate households' attachments to their neighborhoods, as revealed by their migration decisions. Consistent with survey evidence, we find community attachment grows with years living in one's neighborhood, but it accumulates quite slowly over time. One additional year of residence increases one's community attachment by the equivalent of $300.

The remainder of the paper proceeds as follows. Section 2 discusses the history of rent control in San Francisco. Section 3 discusses the data used for the analysis. Section 4 presents our reduced form results. Section 5 develops and estimates a dynamic discrete choice structural model. Section 6 discusses the welfare impacts of rent control. Section 7 concludes.

2 A History of Rent Control in San Francisco

Rent Control in San Francisco began in 1979, when acting Mayor Dianne Feinstein signed San Francisco's first rent-control law. Pressure to pass rent control measures was mounting due to high inflation rates nationwide, strong housing demand in San Francisco, and recently passed Proposition 13.[2] This law capped annual nominal rent increases to 7% and covered all rental units built before June 13th, 1979 with one key exemption: owner occupied buildings containing 4 units or less.[3] These "mom and pop" landlords were cast as less profit driven than the large scale, corporate landlords, and more similar to the tenants who were the ones being protected. These small multi-family structures made up about 30% of the rental housing stock in 1990, making this a large exemption to the rent control law.

While this exemption was intended to target "mom and pop" landlords, small multi-families were increasingly purchased by larger businesses who would sell a small share of the building to a live-in owner, to satisfy the rent control law exemption. This became fuel for a new ballot initiative in 1994 to remove the small multi-family rent control exemption. This ballot initiative barely passed in November 1994. Beginning in 1995, all multi-family structures with four units or less built in 1979 or earlier were now subject to rent control. These small multi-family structures built prior to 1980 remain rent controlled today, while all of those built from 1980 or later are still not subject to rent control.

3 Data

We bring together data from multiple sources to enable us to observe property characteristics, determine treatment and control groups, track migration decisions of tenants, and observe the property decisions of landlords. Our first dataset is from Infutor, which provides the

[2]Proposition 13, passed in 1978, limited annual property tax increases for owners. Tenants felt they were entitled to similar benefits by limiting their annual rent increases.

[3]Annual allowable rent increase was cut to 4% in 1944 and later to 60% of the CPI in 1992, where is remains today.

entire address history of individuals who resided in San Francisco at some point between the years of 1980 and 2016.[4] The data include not only individuals' San Francisco addresses, but any other address within the United States at which that individual lived during the period of 1980-2016. The dataset provides the exact street address, the month and year at which the individual lived at that particular location, the name of the individual, and some demographic information including age and gender.

To examine the representativeness of the Infutor data, we link all individuals reported as living in San Francisco in 1990 to their census tract, to create census tract population counts as measured in Infutor. We make similar census tract population counts for the year 2000 and compare these San Francisco census tract population counts to those reported in the 1990 and 2000 population counts for adults 18 years old and old. A regression of the Infutor populations on census population are shown in Figures A.1 and A.2[5] Figure A.1 shows that for each additional person recorded in the 1990 Census, Infutor contains an additional 0.45 people, suggesting we have a 45% sample of the population. While we do not observe the universe of San Francisco residents in 1990, the data appear quite representative, as the census tract population in the 1990 Census can explain 70% of the census tract variation in population measured from Infutor. Our data is even better in the year 2000. Figure A.2 shows that we appear to have 1.2 people in Infutor for each person observed in the 2000 US census. We likely over count the number of people in each tract in Infutor since we are not conditioning on year of death in the Infutor data, leading to over counting of alive people. However, the Infutor data still track population well, as the census tract population in the 2000 Census can explain 90% of the census tract variation in population measured from Infutor. Now, Infutor matches well the level of the San Francisco population and generates an even higher R^2 of 89.9%.

We merge these data with public records information provided by DataQuick about the

[4]Infutor is a data aggregator of address data using many sources including sources such as phonebooks, magazine subscriptions, and credit header files.

[5]We only can do data validation relative to the US Censuses for census tracts in San Francisco because we only have address histories for people that lived in San Francisco at some point in their life.

particular property located at a given address. These data provide us with a variety of property characteristics, such as the use-code (single-family, multi-family, commercial, etc.), the year the building was built, and the number of units in the structure. For each property, the data also details its transaction history since 1988, including transaction prices, as well as the buyer and seller names. Again, we assess the quality of the matching procedure by comparing the distribution of the year buildings were built across census tracts among addresses listed as occupied in Infutor versus the 1990 and 2000 censuses. Figures A.3 and A.4 show the age distribution of the occupied stock by census tract. In both of the years 1990 and 2000, our R-squareds are high and we often cannot reject a slope of one. [6] This highlights the extremely high quality of the linked Infutor-DataQuick data, as the addresses are clean enough to merge the outside data source DataQuick and still manage to recover the same distribution of building ages as reported in both 1990 and 2000 Censuses.

To measure whether Infutor residents were owners or renters of their properties, we compare the last names of the property owners list in DataQuick to the last names of the residents listed in Infutor. Since property can be owned in trusts, under a business name, or by a partner or spouse with a different last name, we expect to under-classify residents as owners. Figures A.5 and A.6 plot the Infutor measure of ownership rates by census tract in 1990 and 2000, respectively, against measures constructed using the 1990 and 2000 censuses. In 1990 (2000), a one percentage point increase in the owner-occupied rate is leads to a 0.43 (0.56) percentage point increase in the ownership rate measured in Infutor. Despite the under counting, our cross-sectional variation across census tract matches the 1990 and 2000 censuses extremely well, with R-squareds over 90% in both decades. This further highlights the quality of the Infutor data.

Next we match each address to its official parcel number from the San Francisco Assessor's office. Using the parcel ID number from the Secured Roll data, we also merge with any

[6] Since year built comes from the Census long form, these data are based only on a 20% sample of the true distribution of building ages in each tract, creating measurement error that is likely worse in the census than in the merged Infutor-DataQuick data.

building permits that have been associated with that property since 1980. These data come from the San Francisco Planning Office. This allows us to track large investments into renovations and changes in building use type over time based on the quantity and type of permit issued to each building over time.

The parcel number also allows us to link to the parcel history file from the Assessor's office. This allows us to observe changes in the parcel structure over time. In particular, this allows us to determine whether parcels were split off over time, a common occurrence when a multi-family apartment building (one parcel) splits into separate parcels for each apartment during a condo conversion.

Historical data on annual San Francisco wide market rents are from a dataset produced by Eric Fisher, who collected historical apartment advertisements dating back to the 1950s. See https://experimental-geography.blogspot.ca/2016/05/employment-construction-and-cost-of-san.html for further details on the construction. Figure 1 shows the time series of SF rental rates generated by this data. We use an imputation procedure to construct annual rents at the zipcode level. Specifically, using census data we construct a relationship between zipcode house price deviations from the SF mean and zipcode rent deviations from the SF mean. We then use this relationship to construct zipcode level rent measures in the years we don't have census data.[7]

Summary statistics are provided in Table 1 and Table 2.

4 Reduced Form Effects

Studying the effects of rent control is challenged by the usual endogeneity issues. The tenants who choose to live in rent-controlled housing, for example, are likely a selected sample. To overcome these issues, we exploit the particular institutional history of the expansion of rent control in San Francisco. Specifically, we exploit the successful 1994 ballot initiative which

[7]Census data reports rents paid by tenants, not asking rents. We therefore use a level adjustment to ensure that the average imputed market SF rent is equal to that reported by Eric Fisher. See the appendix for the exact details of the imputation procedure.

removed the original 1979 exemption for small multifamily housing of four units or less, as discussed in Section 2.

In 1994, as a result of the ballot initiative, tenants who happened to live in small multifamily housing built prior to 1980 were, all of a sudden, protected by statute against rent increases. Tenants who lived in small multifamily housing built 1980 and later continued to not receive rent control protections. We therefore use as our treatment group those renters who, as of December 31 1993, lived in multifamily buildings of less than or equal to 4 units, built between years 1900 and 1979. We use as our control group those renters who, as of December 31, 1993, lived in multifamily buildings of less than or equal to 4 units, built between the years of 1980 and 1990. We exclude those renters who lived in small multifamily buildings constructed post 1990 since individuals who choose to live in new construction may constitute a selected sample and exhibit differential trends. We also exclude tenants who moved into their property prior to 1980, as the none of the control group buildings would have been constructed at the time.

When examining the impact of rent control on the parcels themselves, we use small multifamily buildings built between the years of 1900 and 1979 as our treatment group and buildings built between the years of 1980 and 1990 as our control group. We once again exclude buildings constructed in the early 1990s to remove any differential effects of new construction. Figure 2 shows the geographic distribution of treated buildings and control buildings in San Francisco.

4.1 Tenant Effects

We begin our analysis by studying the impact of rent control provisions on its tenant beneficiaries. We use a differences-in-differences design described above, with the following exact specification:

$$Y_{it} = \delta_{xt} + \alpha_i + \beta_t * T_i + \gamma_{st} + \epsilon_{it}. \tag{1}$$

Here, Y_{it} are outcome variables equal to one if, in year t, the tenant i is still living at either the same address, in the same zipcode z, or in San Francisco as they were at the end of 1993. The variables δ_{zt} and α_i denote zipcode by year fixed effects and individual tenant fixed effects, respectively. The variable T_i denotes treatment, equal to one if, on December 31, 1993, the tenant is living in a multifamily building with less than or equal to four units built between the years 1900 and 1979.

We include fixed effects γ_{st} denoting the interaction of dummies for the year the tenant moved into the apartment s with calendar year t time dummies. These additional controls are needed since older buildings are mechanically more likely to have long-term, low turnover tenants; not all of the control group buildings were built when some tenants in older buildings moved in. Finally, note we have included a full set of zipcode by year fixed effects. In this way, we control for any differences in the geographic distribution of treated buildings vs. control buildings, ensuring that our identification is based off of individuals who live in the same neighborhood, as measured by zipcode.[8,9] Our coefficient of interest, quantifying the effect of rent control on future residency, is denoted by β_t.

Our estimated effects are shown in Figure 3, along with 90% confidence intervals. We can see that tenants who receive rent control protections are persistently more likely to remain at their 1993 address relative to the control group. Not only that, but they are also more likely to be living in San Francisco. This result indicates that the assignment of rent control not only impacts the type of property a tenant chooses to live in, but also their choice of location and neighborhood type.

These figures also illustrate how the time pattern of our effects correlates with rental

[8]We have also ran our regressions with census tract by year fixed effects and our results are robust to this even finer neighborhood classification. Further, dropping the zip-year fixed effects also produces similar results.

[9]While there may be some sorting into older buildings based on personal characteristics, it seems likely that once neighborhood characteristics have been controlled for, as well as the number of years lived in the apartment as of December 31, 1993, these characteristics would not lead to differential trends in migration decisions which could contaminate our estimates. As a robustness test, we have restricted our treatment group to individuals who lived in structures built between 1960 and 1979, thereby comparing tenants in buildings built slightly before 1979 to tenants in buildings built slightly after 1979. We find very similar results.

rates in San Francisco. We would expect that our results would be particularly strong in those years when the outside option is worse due to quickly rising rents. Along with our yearly estimated effect of rent control, we plot the yearly deviation from the log trend in rental rates against our estimated effect of rent control in that given year. We indeed see that our effects grew quite strongly in the mid to late 1990s in conjunction with quickly rising rents, relative to trend. Our effects then stabilize and slightly decline in the early 2000s in the wake of the Dot-com bubble crash, which led to falling rental rates relative to trend. Overall, we measure a correlation of 49.4% between our estimated same address effects and median rents, and a correlation of 78.4% between out estimated SF effects and median rents.

In Table 3, we collapse our estimated effects into a short-term 1994-1999 effect, a medium-term 2000-2004 effect, and a long-term post-2005 effect. We find that in the short-run, tenants in rent-controlled housing are 2.18 percentage points more likely to remain at the same address. This estimate reflects a 4.03 percent increase relative to the 1994-1999 control group mean of 54.10 percent. In the medium term, rent-controlled tenants are 3.54 percentage points more likely to remain at the same address, reflecting a 19.38 percent increase over the 2000-2004 control group mean of 18.27 percent. Finally, in the long-term, rent-controlled tenants are 1.47 percentage points more likely to remain at the same address. This is a 12.95 percent increase over the control group mean of 11.35 percent. These effects are intuitive since we expect the utility benefits of staying in a rent controlled apartment to grow over time as the wedge between controlled and market rents widen.

Tenants who benefit from rent control are 2.00 percentage points more likely to remain in San Francisco in the short-term, 4.51 percentage points more likely in the medium-term, and 3.66 percentage points more likely in the long-term. Relative to the control group means, these estimates reflect increases of 2.62 percent, 8.78 percent, and 8.42 percent respectively. Since these numbers are of the same magnitude as the treatment effects of stay at one's exact 1994 apartment, we find that absent rent control essentially all of those incentivized to stay in their apartments would have otherwise moved out of San Francisco.

These estimated overall effects mask interesting heterogeneity. We begin by cutting the data on two dimensions. First, we cut the data by age, sorting individuals into two groups, a young group who were aged 20-39 in 1993 and an old group who were aged 40-65 in 1993. We also sort the data based on the number of years the individual has been living at their 1993 address. We create a "low turnover" group of individuals who had been living at their address for greater than or equal to four years and a "high turnover" group of individuals who had been living at their address for between four and fourteen years. Finally, we form four subsamples by taking the 2×2 cross across each of these two dimensions and re-estimate our effects for each subsample.

The results are reported in Figure 4. We summarize the key implications. First, we find that the effects are weaker for younger individuals. We believe this is intuitive. Younger households are more likely to face larger idiosyncratic shocks to their neighborhood and housing preferences (such as changes in family structure and employment opportunities) which make staying in their current location particularly costly, relative to the types of shocks older households receive. Thus, younger households may feel more inclined to give up the benefits afforded by rent control to secure housing more appropriate for their circumstances.

Moreover, among older individuals, there is a large gap between the estimated effects based on turnover. Older, low turnover households have a strong, positive response to rent control. That is, they are more likely to remain at their 1993 address relative to the control group. In contrast, older, high turnover individuals are estimated to have a *negative* response to rent control. They are less likely to remain at their 1993 address relative to the control group.

To further explore the mechanism behind this result, we do another cut of the data, sorting individuals based on the 1990-2000 rent appreciation of their 1993 zipcode. Individuals are then sorted into two groups based on whether their zipcode experienced above or below median rent appreciation. We now estimate our effects by age, turnover, and zipcode rent appreciation. The results are in Figure 5 and Figure 6. Among older, lower turnover

individuals, we find that the effects are always positive and strongest in those areas which experienced the most rent appreciation between 1990 and 2000, as one might expect. For older, high turnover households, however, the results are quite different. For this subgroup, the effects are actually *negative* in the areas which experienced the *highest* rent appreciation. They are positive in the areas which experienced below median rent appreciation.[10]

This result suggests that landlords are likely actively trying to remove tenants in those areas where rent control is affording the most benefits, i.e. high rent appreciation areas. There are a few ways a landlord could accomplish this. First, landlords could try to legally evict their tenants by, for example, moving into the properties themselves, known as owner move-in eviction. Alternatively, landlords could evict tenants according to the provisions of the Ellis Act, which allows evictions when an owner wants to remove units from the rental market - for instance, in order to convert the units into condos or a tenancy in common. Finally, landlords are legally allowed to negotiate with tenants over a monetary transfer convincing them to leave. Such transfers are, in fact, quite prevalent in San Francisco. Moreover, it is likely that those individuals who have not lived in the neighborhood long, and thus not developed an attachment to the area, could be more readily convinced to accept such payments or are worse at fighting eviction. Indeed, since landlord can evict or pay tenants to move out, rent control need not inefficiently distort renters' decisions to remain in their rent controlled apartments. Tenants may "bring their rent control with them" in the form of a lump sum tenant buyout. Of course, if landlords predominantly use evictions, tenants are not compensated for their loss of rent protection, weakening the insurance value of rent control.

These considerations help to rationalize some additional, final findings. In Figure 7 and Figure 8, we examine the impact that rent control has on the types of neighborhoods tenants live in in a given year. We find that treated individuals, i.e. those who received rent control, ultimately live in census tracts with lower house prices, lower median incomes, and lower

[10] A similar pattern holds for younger individuals as well, although the results are weaker.

college shares than the control group. As Figure 9 and Figure 10 show, this is not a function of the areas in which treated individuals lived in 1993. In this figure, we fix the location of those treated by rent control at their 1993 locations, but allow the control group to migrate as seen in the data. If rent-controlled renters were equally likely to remain in their 1993 apartments across all locations in San Francisco, we would see the sign of the treatment effects on each neighborhood characteristic to be the same as in the previous regression. Instead, we find strong evidence that the out-migration of rent-controlled tenants came from very selected neighborhoods. Had treated individuals remained in the 1993 addresses, they would have lived in census tracts which had significantly higher college shares and higher house prices than the control group. This evidence is consistent with the idea that landlords undertake efforts to remove their tenants or convince them to leave in improving, gentrifying areas.

4.2 Parcel and Landlord Effects

We continue our analysis by studying the impact of rent control on the structures themselves. In particular, we examine how rent control impacts the nature of the tenants who live in the buildings, as well as its impact on investments that landlords choose to make in the properties. We run a similar specification to that above:

$$Y_{kt} = \delta_{zt} + \lambda_k + \beta_t * T_k + \epsilon_{kt}, \tag{2}$$

where k now denotes the individual parcel and λ_k represent parcel fixed effects. The variable T_k denotes treatment, equal to one if, on December 31, 1993, the parcel is a multifamily building with less than or equal to four units built between the years 1900 and 1979. The δ_{zt} variables once again reflect zipcode by year fixed effects. Our outcome variables Y_{kt} now include the number of renters and owners living in the building, whether the building sits vacant, the number of renovation permits associated with the building, and whether the

building is ever converted to a condo. The permits we look at specifically are addition/alteration permits, taken out when major work is done to a property.

We begin by plotting in Figure 11a the effects of rent control on the number of individuals living at a given parcel, calculated as percentage of the average number of individuals living at that parcel between the years 1990-1994. We estimate a decline of approximately 10 percent over the long-run, although this effect is not statistically significant.

We next decompose this effect into the impact on the number of renters and the number of owners living at the treated buildings. As shown in Figure 11b, we find that there is a significant decline in the number of renters living at a parcel, approximately equal to 20 percent in the late 2000s, relative to the 1990-1994 level. Figure 11c shows that the decline in renters was counterbalanced by an increase of approximately 10 percent in the number of owners in the late 2000s. This is our first evidence suggestive of the idea that landlords redeveloped or converted their properties so as to exempt them from the new rent control regulations.

We now look more closely at the decline in renters. In Figure 12b, we see that there is an eventual decline of almost 30 percent in the number of renters living in rent-controlled apartments, relative to the 1990-1994 average.[11] This decline is significantly larger than the overall decline in renters. This is because a number of buildings which were subject to rent control status in 1994 were redeveloped in such way so as to no longer be subject to it. These redevelopment activities include tearing down the existing structure and putting up new single family, condominium, or multifamily housing or simply converting the existing structure to condos. These redeveloped buildings replaced about 10 percent of the initial rental housing stock treated by rent control, as shown in Figure 12a.

A natural question is whether this redevelopment activity was a response of landlords to the imposition of rent control or, instead, if such activity was also taking place within the control group and thus reflected other trends. Since we have the entire parcel history

[11]Note here that we mean relative to the number of individuals who lived at parcels which received rent control status due to the 1994 law change.

for a property, we can check directly whether a multifamily property which fell under the rent control regulations in 1994 is more likely to have converted to condominium housing or a tenancy in common, relative to a multifamily property which did become subject to rent control. In Figure 12c, we show that treated buildings are 8 percentage points likely to convert to condo or TIC in response to the rent control law. This represents a significant loss in the supply of rent controlled housing.

As a final test of whether landlords actively respond to the imposition of rent control, we examine whether the landlords of rent-controlled properties disproportionately take out addition/alteration (i.e. renovation) permits. We find this to strongly be the case, as shown in Figure 12d. Of course, conversions of multifamily housing to condos undoubtedly require significant alteration to the structural properties of the building and thus would require such a permit to be taken out. These results are thus consistent with our results regarding condo conversion.

Moreover, under the San Francisco rent control regulations, capital improvements can be passed onto tenants in the form of higher rents. If the existing tenants are unable to afford the higher rents, capital improvements could be one way to get new tenants in the property and reset to market rents. It is important to note that this evidence contradicts the traditional view of rent control, that landlords will be disincentivized from investing in the property. On the contrary, we find that landlords appear to make significant investments in their properties.

Taken together, we see rent controlled increased property investment, demolition and reconstruction of new buildings, conversion to owner occupied housing and a decline of the number of renters per building. All of these responses lead to a housing stock which caters to higher income individuals. Rent control has actually fueled the gentrification of San Francisco, the exact opposite of the policy's intended goal.

5 A Structural Spatial Equilibrium Model

The reduced form shows that rent control can either increase or decreases tenancy durations depending on whether the tenant receives a buyout or eviction or instead remains at their residence at below market rents. To quantify how tenants trade off these decisions and to quantify the welfare impact of rent control to covered tenants, we estimate a dynamic discrete choice model of neighborhood choice.

5.1 Model Setup

Each year t, a household decides whether to remain in its current home, a choice which we denote as $\mathcal{S}$, or to move, in which case the households chooses a neighborhood $j \in \mathcal{J}$ to live in. We denote the household's choice as $x \in \{\mathcal{S}\} \cup \mathcal{J}$. The relevant state variables for the household's decision problem are the current neighborhood $j_{t-1} \in \mathcal{J}$, the number of years lived in the current neighborhood $\tau_{n,t-1} \in \mathbb{N} \cup \{0\}$, the number of years lived in the current house $\tau_{h,t-1} \in \mathbb{N} \cup \{0\}$, and whether the residence is rent-controlled $d_{t-1} \in \{0, 1\}$. We also have a state variable $a_{t-1} \in \{Y, M\}$ denoting whether the household is in a young (Y) or mature (M) state of life. We let $\theta_{t-1} = (j_{t-1}, \tau_{n,t-1}, \tau_{h,t-1}, d_{t-1}, a_{t-1})$ denote the household's current state variable. The transition dynamics of the state variable are straightforward. We have $j_t = j(x_t)$, where:

$$\begin{aligned} j(x_t) &= j_{t-1} \text{ if } x_t = \mathcal{S} \\ j(x_t) &= x_t \text{ otherwise.} \end{aligned}$$

This equation simply says that the neighborhood remains the same if the household decides to remain in its current home. Otherwise, the new neighborhood is given by the household's choice. The implications for years in the current neighborhood and years in the current

house are clearly similar, with:

$$\begin{aligned}\tau_n(x_t) &= \tau_{n,t-1}+1 \text{ if } x_t \in \{\mathcal{S}, j_{t-1}\} \\ \tau_n(x_t) &= 0 \text{ otherwise.}\end{aligned}$$

and

$$\begin{aligned}\tau_h(x_t) &= \tau_{h,t-1}+1 \text{ if } x_t = \mathcal{S} \\ \tau_n(x_t) &= 0 \text{ otherwise.}\end{aligned}$$

Finally, we assume that each period young households transition to mature households with exogenous probability ξ. This is clearly a simplification, made due to limitations of the data, but captures the idea that households experience certain life events such as marriage and having children at different ages.[12] Mature households do not transition back into young households. We denote the (probabilistic) transition function as $\theta_t = \Theta(x_t, \theta_{t-1})$. We identify the set of neighborhood locations $\mathcal{J}$ as the San Francisco zipcodes, the counties (other than San Francisco County) in the Bay Area, and an outside option denoting any location outside of the Bay Area.

We assume that a household i has the following per-period utility from their housing decision:

$$\begin{aligned}u(x, \omega_t, \varepsilon_{it}, \theta_{t-1}) &= \gamma_a \exp R_t(j, d, \tau_h) + \alpha_a \tau_n + \varphi_a(x, j_{t-1}, \tau_{n,t-1}) \\ &\quad + \Lambda(x, d_{t-1}) + \omega_{jt} + \varepsilon_{ixt},\end{aligned} \tag{3}$$

where $R_t(j, d, \tau_h)$ denotes the rent paid at the chosen location, $\varphi_a(x, j_{t-1}, \tau_{n,t-1})$ are moving costs, $\Delta_t(x, d_{t-1})$ are possible monetary transfers from landlords to tenants, ω_{jt} is an unobservable neighborhood taste shock, and ε_{ixt} is an idiosyncratic logit error taste shock

[12] In principle, we could tract the exact age as a stage variable, but this makes the state space very large.

over the possible choices which is specific to household i.[13] Note that we are suppressing the dependence of (j, τ, d) on x. If a tenant does not live in a rent-controlled property, she pays market rents, given by $R_t(j, 0)$. Thus, there is no dependence on τ_h. In contrast, the rent paid by tenants in rent-controlled properties $R_t(j, 1, \tau_h)$ is a function of the number of years lived in the property. Crucially, note that the household has utility over *exponential* rents, with coefficient γ_a. We, of course, expect this coefficient to be negative. This assumption ensures, due to the effects of Jensen's inequality, that rent control offers real insurance value to tenants. We moreover allow for utility to depend on how long a household has lived in the current neighborhood, as measured by parameter α_a. Intuitively, households may build up neighborhood capital over time which makes that location more attractive. For instance, over time people form meaningful friendships with their neighbors and acquire valuable local knowledge, such as that regarding local amenities. We allow both the rent utility parameter and neighborhood capital parameter to depend on whether the household is in the young or mature stage of life.

Households incur moving costs when they switch homes. We assume that there is a fixed moving cost $\varphi_{0,a} > 0$, as well as a cost $\varphi_{d,a} > 0$ that is variable with distance. We allow the variable moving cost parameter to depend on current neighborhood capital $\tau_{n,t-1}$, with the interaction effect measured by $\varphi_{\tau,a}$. This allows for the possibility that the desirability of nearby neighborhoods changes as one accrues neighborhood capital. In particular,

$$\begin{aligned}
\varphi_a(x, j_{t-1}) &= 0 \text{ if } x_t = \mathcal{S} \\
\varphi_a(x, j_{t-1}) &= \varphi_{0,a} + \varphi_{d,a} d(j_t, j_{t-1}) + \varphi_{\tau,a}(d(j_t, j_{t-1}) \times \tau_{n,t-1}) \text{ otherwise,}
\end{aligned}$$

where $d(j_t, j_{t-1})$ denotes the distance between the old and new neighborhoods. We allow the moving costs to vary with age. For example, it seems likely that households with children will find moving more costly than households without children, since changing schools could

[13] We measure rents as monthly rents divided by 3000, measured in 2010 dollars. We divide by 3000 for computational convenience.

prove disruptive.

We also allow for possible monetary transfers from landlords of rent-controlled properties to tenants incentivizing them to move. These may represent true tenant buyouts or the amount of buyout that would have been required to rationalize the tenant out-migration, even if in reality the migration was due to eviction. In practice, the city of San Francisco allows for such negotiations and these payments are, in practice, quite prevalent. We do not explicitly model the bargaining game between landlords and tenants. Instead, we proceed in more reduced form fashion and parameterize the transfers as:

$$\begin{aligned}
\Lambda_t\left(x, d_{t-1}, a_{t-1}\right) &= 0 \text{ if } x_t = \mathcal{S} \text{ or } d_{t-1} = 0 \\
\Lambda_t\left(x, d_{t-1}, a_{t-1}\right) &= \lambda_1\left[R_t\left(j, 0\right) - R_t\left(j, 1, \tau_h\right)\right] + \lambda_2 \tau_n + \lambda_Y 1\left[a_{t-1} = Y\right] \text{ otherwise.}
\end{aligned}$$

The first equation simply says that, if the tenant does not move or does not live in rent-controlled housing, he receives no transfers. The first term in the second equation denotes the difference between market rents and rent-controlled rents. We would expect the coefficient on this term, λ_1, to be weakly positive. Intuitively, the greater the current difference between market rents and rent-controlled rents, the greater the incentive for landlords to remove tenants and thus the more landlords should be willing to pay to convince tenants to leave. We also allow for the outcome of the bargaining to depend on neighborhood tenure τ_n, with the impact measured by the coefficient λ_2. This allows for more invested tenants to receive a larger payment, since their outside option, i.e. choosing to stay, is likely better than that of a short term tenant who has not built up a large stock of neighborhood capital. Finally, we allow the level difference in transfers to differ between young and mature households, measured by λ_Y.

We decompose the unobservable neighborhood amenity value ω_{jt} into

$$\omega_{jt} = \omega_j + \tilde{\omega}_{jt},$$

where ω_j is a time-invariant fixed effect and $\tilde{\omega}_{jt}$ is a per-period neighborhood specific shock. We impose no structure on the distribution of $\tilde{\omega}_{jt}$ beyond requiring that $F(\tilde{\omega}_{j,t+1}|\tilde{\omega}_{jt}, x_{it}) = F(\tilde{\omega}_{j,t+1}|\tilde{\omega}_{jt})$. That is, the decision of any individual agent has no impact on the distribution of the neighborhood amenity value next period.

Letting β denote the common discount factor, the household's dynamic optimization problem at time t is given by:

$$V\left(\theta_{i,t-1}, \omega_t, \varepsilon_{it}\right) = \max_{x^*} E\left(\sum_{s\geq t}^{\infty} \beta^{s-t} u\left(x^*, \omega_t, \varepsilon_{it}, \theta_{i,t-1}\right) | \theta_{i,t-1}, \omega_t, \varepsilon_{it}\right).$$

We next define the ex-ante value function $\overline{V}\left(\theta_{it}, \omega_t\right)$ by integrating over the idiosyncratic errors:

$$\overline{V}_t\left(\theta_{t-1}\right) = \int \cdots \int V\left(\theta_{t-1}, \omega_t, \left(\varepsilon_1, ..., \varepsilon_{J+1}\right)\right) dF\left(\varepsilon_1\right) ... dF\left(\varepsilon_{J+1}\right),$$

where J is the number of neighborhoods and ε_{J+1} it the logit error associated with staying in the current home. From this we can define the value function conditional on actions:

$$v_t\left(x, \theta_{t-1}\right) = \overline{u}_t\left(x, \theta_{t-1}\right) + \beta E_t\left[\overline{V}_{t+1}\left(\Theta\left(x, \theta_{t-1}\right)\right)\right],$$

where $\overline{u}_t\left(x, \theta_{t-1}\right) = u\left(x, \omega_t, 0, \theta_{t-1}\right)$, $\Theta\left(x, \theta_{t-1}\right)$ denotes the state transition function, and $E_t\left[\cdot\right]$ denotes expectations conditional on time t information.

Since the idiosyncratic taste shocks follow a logit specification, we get the standard results (see e.g. Hotz and Miller (1993)) relating conditional value functions to conditional choice probabilities $p_t\left(x|\theta_{t-1}\right)$:

$$p_t\left(x|\theta_{t-1}\right) = \frac{\exp\left(v_t\left(x, \theta_{t-1}\right)\right)}{\sum_{x'} \exp\left(v_t\left(x', \theta_{t-1}\right)\right)}. \tag{4}$$

In what follows, we denote the log of the denominator of this expression as:

$$I_t\left(\theta_{t-1}\right) = \ln\left(\sum_{x'} \exp\left(v_t\left(x', \theta_{t-1}\right)\right)\right)$$

We also have that the ex-ante value function is given by:

$$\overline{V}_t\left(\theta_{t-1}, \omega_t\right) = I_t\left(\theta_{t-1}\right) + \Gamma, \tag{5}$$

where Γ is Euler's gamma.

5.2 Renewal Actions

The key challenge in identifying dynamic discrete choice models is dealing with the expected continuation values in the Bellman equation. To be able to calculate the expected continuation values, one generally must make assumptions about exactly how agents form expectations, including exactly what information is known to the agent and how they expect market-level state variables to evolve. This normally requires assuming all market state variables (e.g. rents and amenities) are observed and follow assumed transition dynamics. We build on Scott (2013) and make no assumptions about how amenities evolve. We also do not assume how agents form expectations about future market states, other than that they are on average rational. Following work by Arcidiacono and Ellickson (2011) and Arcidiacono and Miller (2011), we make extensive use of renewal actions, or action(s) which, given current states θ_{t-1} and θ'_{t-1}, lead to the same state in the next period. This will allow us to difference out much of the long-term continuation values in the Bellman equation, which are impossible to estimate without strong assumptions.

5.2.1 Immediate Renewals

Suppose we have two households in states θ_{t-1} and θ'_{t-1}. In period t, these two households take the actions x and x' respectively. Using equation (4) and differencing we find that:

$$v_t\left(x, \theta_{t-1}\right) - v_t\left(x', \theta'_{t-1}\right) = \ln\left(\frac{p_t\left(x|\theta_{t-1}\right)}{p_t\left(x'|\theta'_{t-1}\right)}\right) + I_t\left(\theta_{t-1}\right) - I_t\left(\theta'_{t-1}\right)$$

Substituting in for the conditional value functions, we get:

$$\begin{aligned} & \overline{u}_t\left(x,\theta_{t-1}\right)-\overline{u}_t\left(x',\theta'_{t-1}\right)+\beta E_t\left[\overline{V}_{t+1}\left(\Theta\left(x,\theta_{t-1}\right)\right)\right]-\beta E_t\left[\overline{V}_{t+1}\left(\Theta\left(x',\theta'_{t-1}\right)\right)\right] \quad (6) \\ = \quad & \ln\left(\frac{p_t\left(x|\theta_{t-1}\right)}{p_t\left(x'|\theta'_{t-1}\right)}\right)+I_t\left(\theta_{t-1}\right)-I_t\left(\theta'_{t-1}\right). \end{aligned}$$

Now assume x and x' are renewal actions in the sense that $\Theta\left(x,\theta_{t-1}\right)=\Theta\left(x',\theta'_{t-1}\right)$. Note that we do not require $x=x'$, although this will often be the case. For example, if two households in non-rent controlled housing are living in the same neighborhood j and have the same level of neighborhood tenure, then $x=\mathcal{S}$ and $x'=j$, i.e. one household choosing to stay in the current home and the other moving to another house in the same neighborhood, constitute renewal actions. The key implication is that the future continuation values difference out, leaving:

$$\overline{u}_t\left(x,\theta_{t-1}\right)-\overline{u}_t\left(x',\theta'_{t-1}\right)=\ln\left(\frac{p_t\left(x|\theta_{t-1}\right)}{p_t\left(x'|\theta'_{t-1}\right)}\right)+I_t\left(\theta_{t-1}\right)-I_t\left(\theta'_{t-1}\right). \quad (7)$$

If $\theta_{t-1}\neq\theta'_{t-1}$, we also need to remove the difference of log sums, which implicitly involves future continuation values as well.

To do so, suppose the households *move* to some neighborhood $j^*\in\mathcal{J}$, with $j^*\neq x$ and $j^*\neq x'$. This always constitutes a renewal action, so we get equation (7) again with x and x' replaced with j^*:

$$\overline{u}_t\left(j^*,\theta_{t-1}\right)-\overline{u}_t\left(j^*,\theta'_{t-1}\right)=\ln\left(\frac{p_t\left(j^*|\theta_{t-1}\right)}{p_t\left(j^*|\theta'_{t-1}\right)}\right)+I_t\left(\theta_{t-1}\right)-I_t\left(\theta'_{t-1}\right). \quad (8)$$

Differencing equations (7) and (8) yields:

$$\begin{aligned} \ln\left(\frac{p_t\left(x|\theta_{t-1}\right)}{p_t\left(x'|\theta'_{t-1}\right)}\right)-\ln\left(\frac{p_t\left(j^*|\theta_{t-1}\right)}{p_t\left(j^*|\theta'_{t-1}\right)}\right) \quad = \quad & \left[\overline{u}_t\left(x,\theta_{t-1}\right)-\overline{u}_t\left(x',\theta'_{t-1}\right)\right] \quad (9) \\ & -\left[\overline{u}_t\left(j^*,\theta_{t-1}\right)-\overline{u}_t\left(j^*,\theta'_{t-1}\right)\right], \end{aligned}$$

which removes the log sums. Intuitively, equation (9) compares the difference in utility between two different actions a household in state θ_{t-1} could take versus a household in state θ'_{t-1}. This "differences-in-differences" approach removes all long-term utility differences since actions are selected to create renewals.

5.2.2 One Period Ahead Renewals

Now suppose that x and x' are not renewal actions in period t. Following Scott (2013), we substitute the expected difference in continuation values in equation (6) with its realization and expectational errors:

$$\begin{aligned} & \overline{u}_t\left(x,\theta_{t-1}\right)-\overline{u}_t\left(x',\theta'_{t-1}\right)-\ln\left(\frac{p_t\left(j|\theta_{t-1}\right)}{p_t\left(j'|\theta'_{t-1}\right)}\right)-\left[I_t\left(\theta_{t-1}\right)-I_t\left(\theta'_{t-1}\right)\right] \\ = \;& \beta\left(\overline{V}_{t+1}\left(\Theta\left(x',\theta'_{t-1}\right)\right)-\overline{V}_{t+1}\left(\Theta\left(x,\theta_{t-1}\right)\right)\right)+\xi_t^V\left(x',\theta'_{t-1}\right)-\xi_t^V\left(x,\theta_{t-1}\right) \end{aligned}$$

where

$$\xi_t^V\left(x,\theta_{t-1}\right)=\beta\left(E_t\left[\overline{V}_{t+1}\left(\Theta\left(x,\theta_{t-1}\right)\right)\right]-\overline{V}_{t+1}\left(\Theta\left(x,\theta_{t-1}\right)\right)\right)$$

is the expectational error.

We now again make use of renewals. Suppose that at time $t+1$, both households move to the same neighborhood, that is $x_{t+1}=x'_{t+1}=j^*\in\mathcal{J}$. To see the effects of this, first substitute out the realized ex-ante value functions using equations (4) and (5). We have:

$$\begin{aligned} & \overline{u}_t\left(x,\theta_{t-1}\right)-\overline{u}_t\left(x',\theta'_{t-1}\right)-\ln\left(\frac{p_t\left(j|\theta_{t-1}\right)}{p_t\left(j'|\theta'_{t-1}\right)}\right)-\left[I_t\left(\theta_{t-1}\right)-I_t\left(\theta'_{t-1}\right)\right] \\ = \;& \beta\left(v_{t+1}\left(j^*,\Theta\left(x',\theta'_{t-1}\right)\right)-v_{t+1}\left(j^*,\Theta\left(x,\theta_{t-1}\right)\right)\right) \\ & -\beta\ln\left(\frac{p_{t+1}\left(j^*,\Theta\left(x'|\theta'_{t-1}\right)\right)}{p_{t+1}\left(j^*,\Theta\left(x|\theta_{t-1}\right)\right)}\right)+\xi_t^V\left(x',\theta'_{t-1}\right)-\xi_t^V\left(x,\theta_{t-1}\right). \end{aligned}$$

Since j^* is a renewal action, the time $t+2$ expected value functions difference out and this

equation becomes:

$$\begin{aligned} & \overline{u}_t\left(x,\theta_{t-1}\right)-\overline{u}_t\left(x',\theta'_{t-1}\right)-\ln\left(\frac{p_t\left(j|\theta_{t-1}\right)}{p_t\left(j'|\theta'_{t-1}\right)}\right)-\left[I_t\left(\theta_{t-1}\right)-I_t\left(\theta'_{t-1}\right)\right] \qquad (10) \\ = \; & \beta\left(\overline{u}_{t+1}\left(j^*,\Theta\left(x',\theta'_{t-1}\right)\right)-\overline{u}_{t+1}\left(j^*,\Theta\left(x,\theta_{t-1}\right)\right)\right) \\ & -\beta\ln\left(\frac{p_{t+1}\left(j^*,\Theta\left(x'|\theta'_{t-1}\right)\right)}{p_{t+1}\left(j^*,\Theta\left(x|\theta_{t-1}\right)\right)}\right)+\xi_t^V\left(x',\theta'_{t-1}\right)-\xi_t^V\left(x,\theta_{t-1}\right). \end{aligned}$$

To fully remove the conditional value functions, we once again must remove the difference in log sums $I_t\left(\theta_{t-1}\right)-I_t\left(\theta'_{t-1}\right)$.

We follow the same procedure as previously, subtracting equation (8) from equation (10):

$$\begin{aligned} & \ln\left(\frac{p_t\left(j|\theta_{t-1}\right)}{p_t\left(j'|\theta'_{t-1}\right)}\right)-\ln\left(\frac{p_t\left(j^*|\theta_{t-1}\right)}{p_t\left(j^*|\theta'_{t-1}\right)}\right)+\beta\ln\left(\frac{p_{t+1}\left(j^*,\Theta\left(x|\theta_{t-1}\right)\right)}{p_{t+1}\left(j^*,\Theta\left(x'|\theta'_{t-1}\right)\right)}\right) \qquad (11) \\ = \; & \left[\overline{u}_t\left(x,\theta_{t-1}\right)-\overline{u}_t\left(x',\theta'_{t-1}\right)\right]-\left[\overline{u}_t\left(j^*,\theta_{t-1}\right)-\overline{u}_t\left(j^*,\theta'_{t-1}\right)\right] \\ & +\beta\left(\overline{u}_{t+1}\left(j^*,\Theta\left(x,\theta_{t-1}\right)\right)-\overline{u}_{t+1}\left(j^*,\Theta\left(x,\theta_{t-1}\right)\right)\right) \\ & +\xi_t^V\left(x',\theta'_{t-1}\right)-\xi_t^V\left(x,\theta_{t-1}\right). \end{aligned}$$

Equations (9) and (11) provide a linear regression framework which we can use to fully identify and estimate the parameters of the model.

5.3 Empirical Framework

We now discuss how to empirically operationalize the preceding considerations.

5.3.1 Constructing Conditional Choice Probabilities

We first need to construct empirical estimates of the conditional choice probabilities, $p_t\left(x|\theta_{t-1}\right)$. In a given year t, we focus on those households who were part of the 1994 treatment and control groups described in the previous section and who have not moved away from their 1994 residence. Given the latter restriction, we do not need to keep track of τ_h and we therefore suppress the dependence of θ_{t-1} on this state variable in what follows.

With a large enough dataset, we could simply compute empirical frequencies for all conditional choice probabilities. However, since there are many states, not all CCPs in our data are measured precisely. We therefore use kernel smoothing on the empirical frequencies to improve the prediction error. We smooth over distance, neighborhood tenure, and age. We use a Gaussian kernel. Distance is measured between the midpoints of zipcodes. Neighborhood tenure equals the number of years the renter has lived in that zipcode. Young renters are those under the age of 40, while mature/old renters are those 40 and older. We use k-fold cross validation to set the optimal bandwidths with k=5.

5.3.2 Identifying the Parameters of the Model

We set $\beta = .85$.[14] We estimate the various parameters of the model by estimating equation (9) and (11) for appropriately chosen values of $\left(\theta_{t-1}, \theta'_{t-1}\right)$ and (x, x'). Intuitively, by examining the differential behavior of individuals in certain states of the world and following certain types of deviations, we can isolate the impact of the different parameters of the model. We begin by constructing a regression equation for γ_M, λ_1, and λ_2. These are the (mature) rent utility parameter and the parameters of the transfer function. Normally, we would be confronted with a significant endogeneity problem in estimating these parameters since market rents $R_t(j, 0)$ in neighborhood j are likely correlated with the amenity value ω_{jt} unobservable to the econometrician.

We overcome this essential endogeneity problem by exploiting the quasi-experimental nature of the 1994 San Francisco rent control ballot measure. This law change quasi-randomly assigned renters *within* a given neighborhood j to rent control status. As mentioned, we focus exclusively on this population for our regressions.

Now let $\theta_{t-1} = (j, \tau_n, 1, M)$ and $\theta'_{t-1} = (j, \tau_n, 0, M)$ for some $j \in \mathcal{J}$. We furthermore set $x = x' = \mathcal{S}$ and let j^* be any element of $\mathcal{J}$. In words, we consider two mature households who both lived in neighborhood j in 1994 and have not moved as of year t. The two households

[14] This choice is consistent with the evidence provided in De Groote and Verboven (2016), who estimate a household discount factor of .87.

are of equal tenure τ_n. One was assigned to rent control status in 1994 and the other was not. We examine the relative probabilities of these individuals staying in neighborhood j in year t, using neighborhood j^* as the renewal choice in the manner described in the previous section. Under these assumptions, equation (11) gives the regression:

$$\begin{aligned} Y^t_{j,j^*} &= \gamma_M \left[\exp R_t\left(j,1\right) - \exp R_t\left(j,0\right)\right] + \\ &\quad +\lambda_1 \left[\left(\beta \ln R_{t+1}\left(j,0\right) - \ln R_t\left(j,0\right)\right) - \left(\beta \ln R_{t+1}\left(j,1\right) - \ln R_t\left(j,1\right)\right)\right] \\ &\quad +\lambda_2 \left[\beta\left(t+\tau_n+1\right) - \left(t+\tau_n\right)\right] \\ &\quad +\xi^V_t\left(x', \theta'_{t-1}\right) - \xi^V_t\left(x, \theta_{t-1}\right) + \chi^t_{j,j^*} \\ Y^t_{j,j^*} &= \ln\left(\frac{p_t\left(\mathcal{S}|j,1,\tau_n\right)}{p_t\left(\mathcal{S}|j,0,\tau_n\right)}\right) - \ln\left(\frac{p_t\left(j^*|j,1,\tau_n\right)}{p_t\left(j^*|j,0,\tau_n\right)}\right) + \beta \ln\left(\frac{p_{t+1}\left(j^*|j,1,\tau_n\right)}{p_{t+1}\left(j^*|j,0,\tau_n\right)}\right) \end{aligned}$$

Intuitively, this regression compares the probability of staying in the neighborhood for one more year and then moving to j^* versus moving to j^* this year. This difference in probabilities is then differenced between treatment and control, which differences out all the utility impacts of living in j vs j^* other than those which are impacted by rent control.

Note that we have included an additional error term χ^t_{j,j^*}, reflecting measurement error in our constructed conditional choice probabilities.The key for identification is that the unobserved amenity value ω_{jt} differences out. We furthermore know that:

$$E_t\left[\left(R_t\left(j,1\right) - R_t\left(j,0\right)\right)\left(\xi^V_t\left(x', \theta'_{t-1}\right) - \xi^V_t\left(x, \theta_{t-1}\right)\right)\right] = 0$$

due to rational expectations. That is, the expectational error is uncorrelated with any time t information. In general, however, we do *not* have:

$$E_t\left[\left(R_{t+1}\left(j,1\right) - R_{t+1}\left(j,0\right)\right)\left(\xi^V_t\left(x', \theta'_{t-1}\right) - \xi^V_t\left(x, \theta_{t-1}\right)\right)\right] = 0.$$

The time $t+1$ rent difference may be correlated with the expectational error. This is intuitive. For instance, neighborhood j may be better at date $t+1$ than was expected since market

rents are lower than anticipated. We, therefore, instrument for the time $t+1$ rent difference $R_{t+1}(j,1) - R_{t+1}(j,0)$ with Z_t, equal to the one-period lagged value $R_t(j,1) - R_{t-1}(j,0)$. Since Z_t is in the time t information set, we have:

$$E_t\left[Z_t\left(\xi_t^V\left(x', \theta'_{t-1}\right) - \xi_t^V\left(x, \theta_{t-1}\right)\right)\right] = 0.$$

Thus, our exclusion restrictions are satisfied and the parameters are identified.

To identify the impact of tenure on utility α_M, consider two mature households living in non-rent controlled housing in neighborhood j, with different levels of initial tenure, τ_n and τ'_n.Suppose both households move to j^* after one year. We thus have $\theta_{t-1} = (j, \tau_n, 0, M)$ and $\theta'_{t-1} = (j, \tau'_n, 0, M)$ for some $j \in \mathcal{J}$ and $x = x' = \mathcal{S}$. Then equation (11) becomes:

$$\begin{aligned} Y^t_{j,j^*} &= \alpha_M(\tau_n - \tau'_n) + \xi_t^V\left(x', \theta'_{t-1}\right) - \xi_t^V\left(x, \theta_{t-1}\right) + \chi^t_{j,j^*} \\ Y^t_{j,j^*} &= \ln\left(\frac{p_t(\mathcal{S}|j,0,\tau_n)}{p_t(\mathcal{S}|j,0,\tau'_n)}\right) - \ln\left(\frac{p_t(j^*|j,0,\tau_n)}{p_t(j^*|j,0,\tau'_n)}\right) + \beta \ln\left(\frac{p_{t+1}(j^*|j,0,\tau_n)}{p_{t+1}(j^*|j,0,\tau'_n)}\right) \end{aligned}$$

Since both households live in non-rent controlled housing in the same neighborhood, they pay the same rents and receive the same unobserved amenity value. Indeed, the only payoff-relevant difference between the two populations is the number of years they have lived in the neighborhood. Thus, appropriately examining the relative probabilities of staying in the neighborhood is informative of the importance of tenure on utility or, in other words, of the magnitude of α_M. Intuitively, as one builds up more neighborhood capital, the benefits of staying in the neighborhood an additional year. Thus, the relative probability of staying one more year versus moving away should grow if neighborhood capital is accruing.

To estimate moving costs, we consider two mature households of equal tenure τ_n living in non-rent controlled housing in neighborhood j. Suppose that one household immediately moves to another house in the same zipcode and one household stays in the same home. Formally, $\theta_{t-1} = \theta'_{t-1} = (j, \tau_n, 0, M)$, $x = \mathcal{S}$, and $x' = j$. As was discussed in Section 5.2.1, this constitutes an immediate renewal since rents do not change and neighborhood tenure

does not change. Since one is only changing the house they live in due to the logit error and the moving costs, we can identify the fixed cost of moving. If people move houses a lot within a zipcode, moving costs must be low. If they do it rarely, moving costs must be high. Equation (9) gives the regression:

$$\begin{aligned} Y_j^t &= -\varphi_{0,M} + \chi_j^t \\ Y_j^t &= \ln\left(\frac{p_t\left(\mathcal{S}|j,0,\tau_n\right)}{p_t\left(j|j,0,\tau_n\right)}\right), \end{aligned}$$

which identifies the fixed moving cost parameter $\varphi_{0,M}$. Note that there is only one log difference instead of two since the households begin in the same state.

We also need the variable moving cost parameter, $\varphi_{d,M}$. Consider two mature households of equal tenure τ_n, both living in non-rent controlled housing, one living in neighborhood j and the other in neighborhood j'. Suppose they immediately move to either neighborhood j^* or j^{**}. Both of these are choices constitute immediate renewals. Therefore, Equation (9) gives the specification:

$$\begin{aligned} Y_{j,j',j^*,j^{**}}^t &= \varphi_{d,M}\left(d_{j,j^*} - d_{j',j^*}\right) - \varphi_{d,M}\left(d_{j,j^{**}} - d_{j',j^{**}}\right) + \chi_{j,j',j^*,j^{**}}^t \\ Y_{j,j',j^*,j^{**}}^t &= \ln\left(\frac{p_t\left(j^*|j,0,\tau_n\right)}{p_t\left(j^*|j',0,\tau_n\right)}\right) - \ln\left(\frac{p_t\left(j^{**}|j,0,\tau_n\right)}{p_t\left(j^{**}|j',0,\tau_n\right)}\right). \end{aligned}$$

Intuitively, this compares the relative probabilities of moving to j^* vs j^{**} depending on whether one starts in j or j'. If j is very close to j^*, but far from j^{**}, then the difference in moving costs between the moves in large. However, if j' is equidistant between the two, the moving costs between the two locations are the same. The relationship between these differences in distances and differences in migration probabilities identifies the marginal cost of moving with respect to distance. Using similar considerations, one can estimate the interaction term parameter $\varphi_{\tau,M}$. The equation is detailed in the appendix.

As one would expect, the equations for young households are very similar to the ones described above, but the probability of transitioning to a mature household must be taken

into account. Furthermore, one can use the treatment group as well as the control group to estimate the neighborhood tenure parameters and the variable moving cost parameters. All of these additional equations are detailed in the appendix. The model is then estimated via GMM.

Finally, it remains to estimate the permanent component of amenities ω_j.[15] We do so after estimating the full GMM system detailed above. We once again consider two mature households of equal tenure τ_n, living in neighborhoods j and j' respectively and suppose that both households move to some neighborhood j^* after one year. We thus have, $\theta_{t-1} = (j, \tau_n, 0, M)$, $\theta'_{t-1} = (j', \tau_n, 0, M)$, and $x = x' = \mathcal{S}$. These choices yield the equation:

$$\begin{aligned} Y^t_{j,j',j^*} &= \omega_j - \omega_{j'} + \tilde{\omega}_{jt} - \tilde{\omega}_{j't} + \xi^V_t\left(x', \theta'_{t-1}\right) - \xi^V_t\left(x, \theta_{t-1}\right) + \chi^t_{j,j',j^*} \\ Y^t_{j,j',j^*} &= \ln\left(\frac{p_t\left(\mathcal{S}|j, 0, \tau_n\right)}{p_t\left(\mathcal{S}|j', 0, \tau_n\right)}\right) - \ln\left(\frac{p_t\left(j^*|j, 0, \tau_n\right)}{p_t\left(j^*|j', 0, \tau_n\right)}\right) + \beta \ln\left(\frac{p_{t+1}\left(j^*|j, 0, \tau_n\right)}{p_{t+1}\left(j^*|j', 0, \tau_n\right)}\right) \\ &\quad - (\beta - 1)\varphi_{d,M}\left(d_{j,j^*} - d_{j',j^*}\right) - \gamma_M\left[R_t\left(j, 0\right) - R_t\left(j', 0\right)\right] \end{aligned}$$

Identification comes from the fact that, averaging over time, we average out the per-period neighborhood amenity shocks and expectational error shocks. Moreover, note that we do not have an endogeneity problem since we have already estimated γ_M and can therefore move the utility impact of the rent difference to the left hand side of the equation. We also account for the differential moving costs related to distance on the left hand side of the equation. Finally, note that we can only identify fixed amenity value differences between neighborhoods. We therefore choose a normalization, letting zipcode 94110, representing the Mission District and Bernal Heights, be our baseline zipcode. We set its amenity value fixed effect to zero.

[15] We cannot identify amenities of the outside options, i.e. the rest of the Bay Area and the rest of the country, as no one in our 1994 cohorts started off living in those locations.

5.4 Model Estimates

Table 4 shows the parameter estimates of the model. Panel A reports the parameters measured in rent equivalent dollar units, with the exception of the transfer payments, which are measured in actual dollar amounts.[16] Panel B reports the estimates in units of migration elasticities. We will focus on the estimates in Panel A. Normalizing the coefficient on exponential rents to 1, we identify the standard deviation of tenants' idiosyncratic shocks to their location preferences. We find that young renters have annual location taste shocks with a standard deviation equivalent to $7,411. Mature renters face location shocks with a 12.7% lower standard deviation. These estimates are consistent with our previously discussed hypothesis that young renters' migration decisions are more driven by idiosyncratic shocks than older households.

Turning to the magnitudes of the tenant buyouts, we find young renters receive $1.631 more dollars from their landlords for each additional $1 below market their rent is. Mature renters face similar impact of $1.404. We also find buyout offers are larger as tenants live in their zipcodes longer. For each additional year a young (mature) tenant lives in their zipcode, they receive $164 ($141) additional dollars in the buyout offer from their landlord. Finally, we find mature tenants receive larger buyout offers overall by $70,702. This may reflect that landlords expect older tenants to remain in their apartments for the very long term. Along the same lines, to the extent that these transfers reflect evictions, landlords would be more incentivized to evict older renters. To get a better sense of the magnitudes of these buyout payments, Figure 14 plots the average buyout to young tenants offered in each year in the data, across all tenants and neighborhoods. By 2010, the average offer to tenants who still remain at their 1994 address is just over $30,000. Figure 15 plots the heterogeneity across zipcodes in mean buyout offers, highlighting that some zipcodes experience much large rent increases than others over this time period. In the most expensive zipcode, the average buyout in 2010 is just about $40,000, while in the cheapest zipcode the mean buyout offer is

[16] These are measured at the mean rent paid by rent-controlled households, $2350.

around $25,000. These numbers seem very much in line with popular press anecdotes about tenant buyouts in San Francisco.

Moving along to our estimates of moving costs, we find the fixed cost of moving is equivalent, in rent-equivalent dollars, to $42,626 for young renters and $38,988 for old renters. These estimates seem quite reasonable and actually quite below what is typically found in the literature. A main driver of the magnitude of this estimate are the short-run migration elasticities with respect to a one-year temporary change. It is often quite hard to find a high quality instrument for rents that does not effect other omitted variables such as amenities. Likely, many instruments for rent also impact the supply and quality of amenities, leading to rent elasticities being biased towards 0. Our rent control policy experiment only affects rents and cannot effect amenities in our regressions, as we are comparing migration decisions between market rent and rent controlled households in the same neighborhood consuming the same amenities.

In addition to the fixed costs of moving, we find that the moving costs increase with the distance of the move. A 1 percent increase in move distance is equivalent to $114 for the young and $101 for the old. Finally, we also consider whether these variable moving costs change as households live in their zipcodes longer. One might think that the longer a household has lived in the area the more familiar they are with further and further away neighborhoods, lowering those marginal moving costs. Indeed, we find this is the case, with each additional year a tenant has lived in their zipcode lowering the moving cost by $415 for the young and $357 for the old.

Lastly, we turn to our neighborhood capital estimates. Proponents of rent control often argue that long-term residents are the ones in the most need of rent control as migrating away from their community forces them to lose many of the connections and investments they have been in the neighborhoods over time. We do find very statistically significant effects of neighborhood capital accumulation. However, the economic magnitude is small. Young (mature) households increasingly value living in their zipcode by $266 ($292) in dollar

rent equivalent terms. However, these effects can add up to a sizable effect over a lifetime.

6 Welfare Effects of Rent Control

6.1 Welfare Decomposition: 1994-2012

We begin our investigation of the welfare effects of rent control by decomposing the impacts of the 1994 ballot initiative on its beneficiaries, relative to the control group. We discuss here mature households. The expressions for young households are exactly analogous.

6.1.1 Derivations

In any given year t between the years of 1994 and 2012, the average utility difference between the treatment group and the control group is given by:

$$\begin{aligned} \Delta U_t^M &= \sum_{\theta_{t-1}} \sum_{x} \left(\overline{u}_t \left(x, \theta_{t-1} \right) + E_t \left[\varepsilon_{ixt} | x, \theta_{t-1} \right] \right) p_t \left(x | \theta_{t-1} \right) \left(p_t^T \left(\theta_{t-1} \right) - p_t^C \left(\theta_{t-1} \right) \right) \quad (12) \\ &= \sum_{\theta_{t-1}} \sum_{x} \left(\overline{u}_t \left(x, \theta_{t-1} \right) + E_t \left[\varepsilon_{ixt} | x, \theta_{t-1} \right] \right) \left(p_t^T \left(x, \theta_{t-1} \right) - p_t^C \left(x, \theta_{t-1} \right) \right) \end{aligned}$$

where recall $\overline{u}_t \left(x, \theta_{t-1} \right) = u \left(x, \omega_t, 0, \theta_{t-1} \right)$ and the utility function is defined in equation (3). The expression $p_t \left(x | \theta_{t-1} \right)$ again denotes the conditional probability of choosing $x \in \{\mathcal{S}\} \cup \mathcal{J}$, given that the current state is θ_{t-1}, $p_t^T \left(\theta_{t-1} \right), p_t^C \left(\theta_{t-1} \right)$ denote the probabilities of being in state θ_{t-1} for the treatment group and control group respectively, and $p_t^T \left(x, \theta_{t-1} \right), p_t^C \left(x, \theta_{t-1} \right)$ denote the joint probabilities. The conditional expectation $E_t \left[\varepsilon_{it} | x, \theta_{t-1} \right]$ denotes the expected logit error conditional on choosing x from state θ_{t-1}. Of course, equation (12) simply says that the average utility difference is the weighted average utility received by the treatment group minus the weighted average utility received by the control group.

We can decompose this average utility difference by substituting in for the utility function

from equation (3). We find that:

$$\begin{aligned}\Delta U_t^M &= \Delta U_t^{M,\text{Rent}} + \Delta U_t^{M,Payoff} + \Delta U_t^{M,NC} \\ &\quad + \Delta U_t^{M,MC} + \Delta U_t^{M,Miles} + \Delta U_t^{M,Amenity} + \Delta U_t^{M,Logit}.\end{aligned} \tag{13}$$

That is, the average utility difference between the treatment group and the control arises from differences in average rent paid $\Delta U_t^{M,\text{Rent}}$, in transfers received from landlords $\Delta U_t^{M,Payoff}$, in accumulated neighborhood capital $\Delta U_t^{M,NC}$, in fixed costs $\Delta U_t^{M,MC}$, in variable moving costs $\Delta U_t^{M,Miles}$, in neighborhood amenity values $\Delta U_t^{M,Amenity}$, and in idiosyncratic valuations $\Delta U_t^{M,Logit}$. Suppressing the dependence of j and τ on x, we can formally write these terms as:

$$\begin{aligned}\Delta U_t^{\text{Rent}} &= \sum_{\theta_{t-1}} \sum_x \gamma_M \exp\left(R_t\left(j,d,\tau_h\right)\right)\left(p_t^T\left(x,\theta_{t-1}\right) - p_t^C\left(x,\theta_{t-1}\right)\right) \\ \Delta U_t^{Payoff} &= \sum_{\theta_{t-1}} \sum_x \Lambda_t\left(x,d_{t-1},M\right)\left(p_t^T\left(x,\theta_{t-1}\right) - p_t^C\left(x,\theta_{t-1}\right)\right) \\ \Delta U_t^{M,NC} &= \sum_{\theta_{t-1}} \sum_x \alpha_M \tau_n \left(p_t^T\left(x,\theta_{t-1}\right) - p_t^C\left(x,\theta_{t-1}\right)\right) \\ \Delta U_t^{M,MC} &= \sum_{\theta_{t-1}} \sum_x \varphi_{0,M} 1\left[x \neq \mathcal{S}\right]\left(p_t^T\left(x,\theta_{t-1}\right) - p_t^C\left(x,\theta_{t-1}\right)\right) \\ \Delta U_t^{M,Miles} &= \sum_{\theta_{t-1}} \sum_x \varphi_{d,M} d_{j,j_{t-1}} 1\left[x \neq \mathcal{S}\right]\left(p_t^T\left(x,\theta_{t-1}\right) - p_t^C\left(x,\theta_{t-1}\right)\right) \\ \Delta U_t^{M,Amenity} &= \sum_{\theta_{t-1}} \sum_x \omega_{jt}\left(p_t^T\left(x,\theta_{t-1}\right) - p_t^C\left(x,\theta_{t-1}\right)\right).\end{aligned}$$

We can measure each of these terms.[17] We recover estimates of $\gamma_M, \Lambda_M, \alpha_M, \varphi_{0,M}, \varphi_{d,M}$, and ω_{jt} from our structural model. We can then recover the other needed quantities from standard reduced form differences-in-differences analysis. For example, $\sum_{\theta_{t-1}} \sum_x \exp\left(R_t\left(j,d,\tau_h\right)\right)\left(p_t^T\left(x,\theta_{t-1}\right) - p_t^C\left(x,\theta_{t-1}\right)\right)$ is simply the average difference in rents paid between treatment and control in year t, $\sum_{\theta_{t-1}} \sum_x \tau_n \left(p_t^T\left(x,\theta_{t-1}\right) - p_t^C\left(x,\theta_{t-1}\right)\right)$

[17] Since we measure rents as monthly rents/3000, we multiply by 36,000 to convert to an annual rent number.

is the average difference in accumulated neighborhood capital between treatment and control, $\sum_{\theta_{t-1}} \sum_x 1\left[x \neq \mathcal{S}\right] \left(p_t^T\left(x, \theta_{t-1}\right) - p_t^C\left(x, \theta_{t-1}\right)\right)$ is the average difference in number of moves between treatment and control, and

$\sum_{\theta_{t-1}} \sum_x d_{j,j_{t-1}} 1\left[x \neq \mathcal{S}\right] \left(p_t^T\left(x, \theta_{t-1}\right) - p_t^C\left(x, \theta_{t-1}\right)\right)$ is the average difference in distance moved between treatment and control. Each of these can be readily calculated using the reduced form methodology described in Section 4. The average utility difference due to transfers and the average utility difference due to amenities can be similarly calculated by combining our structural estimates with reduced form differences-in-differences analysis.

Deriving an expression for the utility difference due to idiosyncratic valuations $\Delta U_t^{M,Logit}$ is a bit more complicated. We have that:

$$\Delta U_t^{M,Logit} = \sum_{\theta_{t-1}} \sum_x E_t\left[\varepsilon_{it} | x, \theta_{t-1}\right] \left(p_t^T\left(x, \theta_{t-1}\right) - p_t^C\left(x, \theta_{t-1}\right)\right). \tag{14}$$

We therefore need an expression for the conditional expectation $E_t\left[\varepsilon_{ixt} | x, \theta_{t-1}\right]$. Using Bayes' rule, we get:

$$\begin{aligned} E_t\left[\varepsilon_{ixt} | x, \theta_{t-1}\right] &= \frac{\int \varepsilon_{ixt} \left(\prod_{x' \neq x} e^{-e^{-\left(\varepsilon_{ixt} + v_t\left(x, \theta_{t-1}\right) - v_t\left(x', \theta_{t-1}\right)\right)}}\right) e^{-\varepsilon_{ixt}} e^{-e^{-\varepsilon_{ixt}}} d\varepsilon_{ixt}}{p_t\left(x | \theta_{t-1}\right)} \\ &= \frac{\int \varepsilon_{ixt} \left(\prod_{x' \neq x} e^{-e^{-\left(\varepsilon_{ixt} + \ln p_t\left(x | \theta_{t-1}\right) - \ln p_t\left(x' | \theta_{t-1}\right)\right)}}\right) e^{-\varepsilon_{ixt}} e^{-e^{-\varepsilon_{ixt}}} d\varepsilon_{ixt}}{p_t\left(x | \theta_{t-1}\right)}, \end{aligned}$$

where in the second equality we used the Hotz and Miller (1993) inversion $v_t\left(x, \theta_{t-1}\right) - v_t\left(x', \theta_{t-1}\right) = \ln p_t\left(x | \theta_{t-1}\right) - \ln p_t\left(x' | \theta_{t-1}\right)$. Substituting into equation (14), we derive:

$$\begin{aligned} \Delta U_t^{M,Logit} = \sum_{\theta_{t-1}} \sum_x \left\{ \int \varepsilon_{ixt} \left(\prod_{x' \neq x} e^{-e^{-\left(\varepsilon_{ixt} + \ln p_t\left(x | \theta_{t-1}\right) - \ln p_t\left(x' | \theta_{t-1}\right)\right)}} \right) e^{-\varepsilon_{ixt}} e^{-e^{-\varepsilon_{ixt}}} d\varepsilon_{ixt} \right\} \times \\ \left(p_t^T\left(\theta_{t-1}\right) - p_t^C\left(\theta_{t-1}\right)\right). \end{aligned} \tag{15}$$

Since we have empirical estimates of each of the probabilities, we can estimate this utility

difference.

We finally convert our estimated utility differences into rent equivalent dollar amounts. Consider an individual in the control group who pays the average San Francisco rent in year t, which we denote as $\overline{R}_t$. We now proceed iteratively. The dollar rent equivalent ΔW_t^{Rent} of the utility difference ΔU_t^{Rent} in year t due to rent differences can be calculated as the solution to :

$$\gamma_M \exp\left(\overline{R}_t + \Delta W_t^{\text{Rent}}\right) - \gamma_M \exp\left(\overline{R}_t\right) = \Delta U_t^{\text{Rent}},$$

which gives:

$$\Delta W_t^{\text{Rent}} = \ln\left(\frac{\Delta U_t^{\text{Rent}}}{\gamma_M} + \exp\left(\overline{R}_t\right)\right) - \overline{R}_t.$$

The dollar rent equivalent incremental impact of transfers can then be calculated as:

$$\Delta W_t^{Payoff} = \ln\left(\frac{\Delta U_t^{Payoff}}{\gamma_M} + \exp\left(\overline{R}_t + \Delta W_t^{\text{Rent}}\right)\right) - \left(\overline{R}_t + \Delta W_t^{\text{Rent}}\right).$$

Now let $\Delta U_t^{M,\iota}$ denote the utility differences, with $\iota \in \{1, ..., 7\}$ corresponding to the ordering in equation (13). Iterating on our procedure gives the dollar rent equivalent incremental impacts of each element of the decomposition:

$$\Delta W_t^{\iota} = \ln\left(\frac{\Delta U_t^{Payoff}}{\gamma_M} + \exp\left(\overline{R}_t + \sum_{\iota' < \iota} \Delta W_t^{\iota'}\right)\right) - \left(\overline{R}_t + \sum_{\iota' < \iota} \Delta W_t^{\iota'}\right).$$

6.1.2 Results

The results of this decomposition are reported in Table 5. We find that the beneficiaries of the 1994 rent control law received large welfare benefits between the 1994-2012 period. Older households received a total rent-equivalent dollar benefit of \$119,625, reflecting an annual benefit of \$6,646. These benefits were front loaded, with households earning a cumulative benefit of \$74.514 and average annual benefit of \$8,279 during the 1995-2003 period Cumulative benefits equaled \$45,111 during the 2004-2012 period, reflecting an annual average of

$5,012.

In terms of decomposition, most of the benefits from the rent control law came from protection against rent increases and transfers.[18] Respectively, protection against rent increases constituted 44.2% of the total benefit and transfers constituted 30.2% of the total. Lower moving costs, both fixed and variable, were 13.5% of the total. Increased neighborhood capital constituted only small fraction of the total benefit at 1.2%. The welfare benefits from increased amenity values were negligible. Interestingly, we find increased utility from the utility value of one's idosyncratic preference equal to 11.2% of the welfare gain. This likely due to the fact that we found some low neighborhood capital houseohlds were more likley to move due to rent control, allowing them to over come moving costs and live in a location that best suites their idiosyncratic preference.

The benefits of the rent control expansion were smaller for younger households, although still large. That they are smaller is consistent with our estimate that younger households receive larger idiosyncratic shocks, which leads to more frequent moving and thus smaller benefits from rent control protections. Younger households are also estimated to receive smaller transfers. Cumulative welfare benefits for these households totaled $41,121, reflecting an annual average of $2,285. Similar to older households, the benefits were front loaded. Younger households received cumulative benefits of $32,960 during the 1995-2003 period and cumulative benefits of $8,162 during the 2004-2012 period. Annual averages were $3,662 and $907 respectively.

Also similar to older households, most of the benefits came from protection against rent increases and transfers, constituting 79.6% and 45.4% respectively over the total period. The fraction due to moving costs is much smaller for younger households, at only 8%. Note this reinforces the idea that, due to a higher variance if idiosyncratic shocks, younger

[18]The model assumes that all observed moves are rational choices. The transfers we estimate are those which rationalize the observed empirical frequencies. It is possible that some of the moves we see in the data are forced evictions, rather than the result of negotiations between landlords and tenants over monetary compensation. To the extent that this is the case, our welfare benefits from transfer payments over overstated. However, even in the extreme case where the welfare benefits from transfers are zero, the benefits from protection against rent increases would still be large.

households optimally choose to move more often. The fraction due to neighborhood capital is once again small, constituting just 2.6% for the average. Welfare benefits due to increased amenity values now reflect a small, but non-negligible, fraction of the total benefit at 2.6%. Finally, the young face a substantial welfare loss due to living in places that are worse matches to their idiosyncratic preference under rent control, equal to -37.2%. This reflects that to stay in one's apartment to benefit from below market rents, one must give up living in the best apartment and location that suites one's preferences. Our estiamtes shows that idosyncratice preference variaince is higher for the young, making giving up the match value a larger sacrifice.

We aggregate these numbers over the entire population of renters impacted by the rent control law. The aggregate welfare benefits are very large. Older households received a cumulative benefit of $4.440 billion dollars over the entire period, while younger households received a cumulative benefit of $2.64 billion dollars. Across the entire population, the aggregate benefit was $7.085 billion dollars, reflecting an annual average of $394 million dollars. Note also that these welfare numbers are only for the 1994 population impacted by the rent control expansion. It does not take into account the welfare benefits for renters who moved into the impacted properties in later years, which presumably were also quite large.

6.2 General Equilibrium Welfare Impact of Reduced Supply

We finally turn to evaluating the GE welfare impact of the landlord supply response. Intuitively, since landlords reduced supply in response to the 1994 law, as was shown in Section 4.2, average San Francisco rents were higher than they otherwise would have been. Using our structural framework, we quantify the magnitude of this cost.

6.2.1 Derivations

We evaluate the welfare impact relative to the 1993 steady state, prior to the introduction of the law change. Aggregate welfare in this steady state is given by:

$$\sum_j N_j \ln \left(\sum_{x \in \{\mathcal{S}\} \cup \mathcal{J}} \exp\left(v\left(x,j\right)\right) \right),$$

where N_j is the number of people living in neighborhood j. Note that the state variable now does not include rent control status since we are consider the pre-law steady state. Suppose that the law raises rents in zipcode j by San Francisco by a proportional amount equal to $d \ln R_j$. Using standard calculations, we find that the local welfare impact of a change in rents is given by:

$$\sum_j N_j \sum_x p\left(x|j\right) \sum_k \frac{\partial v\left(x,j\right)}{\partial \ln R_k} d \ln R_k, \tag{16}$$

where $p\left(x|j\right)$ are the pre-law conditional choice probabilities To compute this quantity we thus need to calculate $\partial v\left(x,j\right)/d \ln R_k$ for all j, x, and $k \in \mathcal{J}$ and we need to determine the zipcode level rent response to the measured reduced form supply reduction.

Steady-state in the model is characterized by the equation:

$$\forall j : N_j \left(1 - p\left(\mathcal{S}|j\right) - p\left(j|j\right)\right) = \sum_{j' \neq j} N_{j'} p\left(j|j'\right). \tag{17}$$

This simply says that, in steady state, the number of renters flowing out of neighborhood j must be equal to the number of renters flowing into neighborhood j. We now assume that the supply decrease is the same proportionally in each zipcode. Since small multifamily housing constituted 44% of 1994 non rent-controlled housing stock, our reduced form results indicate that rental supply in San Francisco decreased by 6 percent. Letting $d \ln N_j / d\Phi$ denote the supply response, where Φ is simply a convenient notation indicating the impact of the law, we have

$$\frac{d \ln N_j}{d\Phi} = \frac{d \ln N_{SF}}{d\Phi} = -.06 \text{ for all } j \text{ in SF}$$

We determine how much rents have to change by in the new long-run steady state given this

supply response. Taking a derivative of equation (17) with respect to Φ gives:

$$\frac{d\ln N_j}{d\Phi}N_j\left(1-\sum_{x\in\{\mathcal{S},j\}}p\left(x|j\right)\right)-N_j\sum_{x\in\{\mathcal{S},j\}}\frac{dp\left(x|j\right)}{d\Phi}=\sum_{j'\neq j'}\left[\frac{d\ln N_{j'}}{d\Phi}N_{j'}p\left(j|j'\right)+N_{j'}\frac{dp\left(j|j'\right)}{d\Phi}\right], \tag{18}$$

for all j.

Now, in steady state, the conditional probabilities are given by:

$$p\left(x|j\right)=\frac{\exp\left(v\left(x,j\right)\right)}{\sum_{x'}\exp\left(v\left(x',j\right)\right)}.$$

So:

$$\begin{aligned}\frac{dp\left(x|j\right)}{d\Phi} &= \sum_k\frac{\partial p\left(x|j\right)}{\partial\ln R_k}\frac{d\ln R_k}{d\Phi} \\ &= \sum_k p\left(x|j\right)\left(\frac{\partial v\left(x,j\right)}{\partial\ln R_k}-\sum_{x'}p\left(x'|j\right)\frac{\partial v\left(x',j\right)}{\partial\ln R_k}\right)\frac{d\ln R_k}{d\Phi}.\end{aligned} \tag{19}$$

To finish the calculation, we therefore need to determine $\partial v\left(x,j\right)/\partial\ln R_k$. With these in place, we can plug equation (19) into equation (18) and solve the resulting system of equations for the rent responses $d\ln R_k/d\Phi$.

We note that in steady-state:

$$v\left(x,j\right)=\overline{u}\left(x,j\right)+\beta\ln\left(\sum_{x'}\exp\left(v\left(x',j\left(x\right)\right)\right)\right)$$

Taking derivatives with respect to log rents, we get:

$$\frac{\partial v\left(x,j\right)}{\partial\ln R_k}=\gamma\exp\left(R_j\right)R_j1\left[j\left(x\right)=k\right]+\beta\sum_{x'}p\left(x'|j\left(x\right)\right)\frac{\partial v\left(x',j\left(x\right)\right)}{\partial\ln R_k}.$$

This is a system of equations which can be numerically solved for the partial derivatives. The system for young renters is similar, but takes into account the possibility of transitioning to a mature renter.

6.2.2 Results

We find that 6% decrease in housing supply led to 7% increase in rental prices. These caused an aggregate welfare loss to renters of $5 Billion. This is almost as large as the benefits accrued by the lucky beneficiaries of rent control. These GE welfare losses only account for the increased rents due to the decreased supply of housing. We also found that rent control incentivized landlords to invest in their properties by renovating and building new housing, as well as converting to owner occupancy. These effects likely attached higher income tenants to San Francisco and further raised rents. It appears that the GE losses from the landlords' response to rent control essentially completely undoes the gains accrued to the households that were lucky enough to receive rent control in 1994.

7 Conclusion

In this paper, we study the welfare impacts of rent control on its tenant beneficiaries as well as the welfare impacts of landlords' responses. To answer this question, we exploit a unique rent control expansion in San Francisco in 1994 that suddenly provided rent control protections for small multifamily housing built prior to 1980. By combining new panel micro data on individual migration decisions with detailed assessor data on individual SF parcels we get quasi-experimental variation in the assignment of rent control at both the individual tenant level and at the parcel level.

We find that, on average, in the medium to long term the beneficiaries of rent control are between 10 and 20 percent more likely to remain at their 1994 address relative to the control group. These effects are significantly stronger among older households and among households that have already spent a number of years at their current address. On the other hand, individuals in areas with quickly rising rents and with few years at their 1994 address are less likely to remain at their current address, consistent with the idea that landlords try to remove tenants when the reward is high, through either eviction or negotiated payments.

We find that landlords actively respond to the imposition of rent control by converting their properties to condos and TICs or by redeveloping the building in such as a way as to exempt it from the regulations. In sum, we find that impacted landlords reduced the supply the available rental housing by 15 percent. Consistent with this evidence, we find that there was a 20 percent decline in the number of renters living in impacted buildings, relative to 1990-1994 levels, and a 30 percent decline in the number of renters living in units protected by rent control.

We develop a dynamic, structural model of neighborhood choice to translate our reduced form impacts into welfare impacts. A key contribution of the paper is to show how quasi-experimental evidence can be leveraged to estimate to dynamic discrete choice model. We find that rent control offered large benefits to impacted tenants during the 1995-2012 period, averaging between $2200 and $6600 per person each year, with aggregate benefits totaling over $393 million annually. Over the entire period, tenants received cumulative benefits of around $7.1 billion. We find that most of these benefits came from protection against rent increases and transfer payments from landlords. However, we find losses to all renters of $5 billion due to rent control's effect on decreasing the rental housing and raising market rents.

These results highlight that forcing landlords to provided insurance against rent increases leads to large losses to tenants. If society desires to provide social insurance against rent increases, it would be more desirable to offer this subsidy in the form of a government subsidy or tax credit. This would remove landlords' incentives to decrease the housing supply and could provide household with the insurance they desire. A point of future research would be to design an optimal social insurance program to insure renters against large rent increases.

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Table 1: Sample Characteristics for Individual Regressions for Multi-Family Residence (2-4 Units)

	Mean	**S.D**
Demographics		
Age in 1993	38.584	10.707
Male	0.504	0.500
Is Landlord	0.144	0.352
Residency		
Living in SF	0.643	0.479
Living in Zipcode of Treated Address	0.443	0.497
Living in Treated Address	0.375	0.484
Years at 1993 Address	6.761	4.911
Years at Current Address	1.659	0.597
Observations	1508247	

Notes: Sample consists of all tenants and landlords between 20 and 65 years old living in SF in 1993 and small multi-family residences that were built during $1900 - 1990$. If a building is constructed post 1993 and we observe a landlord living there in 1993, we include it into the treatment group for rent control. Table reports the mean, standard deviation and median of demographic characteristics and various dependent variables during $1990 - 2016$.

Table 2: Sample Characteristics for Multi-Family Properties (2-4 Units)

	Mean	**S.D**
Residency		
Is Vacant	0.103	0.304
Population		
Population/Avg Pop 90-94	2.076	3.728
Renters/Avg Pop 90-94	1.541	3.276
Renters in Covered by Rent-Control/Avg Pop 90-94	1.311	1.808
Renters in Redeveloped Buildings/Avg Pop 90-94	0.108	0.679
Owners/Avg Pop 90-94	0.535	1.467
Permits		
Cumulative Add/Alter/Repair per Unit	0.256	0.487
Ever Received Add/Alter/Repair	0.336	0.472
Observations	724037	

Notes: Sample consists of all parcels that are multi-family residence with fewer than four units in SF that were built during $1900-1990$. If a building associated with a parcel is constructed post 1993 and we observe someone living there before 1993, we include it into the treatment group for rent control. Table reports the mean, standard deviation and median of various dependent variables during $1990-2016$.

Table 3: Treatment Effect for Tenants of Multi-Family Residence (2-4 Units)

	(1) In SF	(2) Same Zip	(3) Same Address
Treat×*Period*			
1994-1999	0.0200**	0.0226***	0.0218***
	(0.0081)	(0.0087)	(0.0083)
2000-2004	0.0451***	0.0355***	0.0354***
	(0.0115)	(0.0104)	(0.0088)
Post 2005	0.0366***	0.0302***	0.0147**
	(0.0109)	(0.0084)	(0.0063)
Control Mean $1994-1999$	0.7641	0.5971	0.5410
Control Mean $2000-2004$	0.5138	0.2672	0.1827
Control Mean Post 2005	0.4346	0.1801	0.1135
Adjusted R^2	0.600	0.630	0.655
Observations	1251747	1251747	1251747

Notes: Sample consists of all tenants between 20 and 65 years old living in SF in 1993 and in small multi-family residences that were built during $1900-1990$. If a building is constructed post 1993 and we observe a tenant living there in 1993, we include it into the treatment group for rent control. Table reports the mean of dependent variables for the control group during $1990-1994$, $2000-2004$ and post-2005. Standard errors are clustered at the person level. Significance levels: * 10%, ** 5%, *** 1%.

Table 4: Model Estimates

A. Parameter Estimates in 2010 Dollars

St Dev of Logit Shocks		Tenant Buyouts		Moving Costs		Neighborhood Capital	
Young Renters	7441.178***	Log Below Market Rent	1.631***	Fixed Cost	42626.11***	Young Renters	265.795***
	(1278.596)	(Young Renters)	(0.092)	(Young Renters)	(4776.017)		(52.9889)
Old Renters	6496.264***	Log Below Market Rent	1.404***	Fixed Cost	38987.65***	Old Renters	291.781***
	(995.629)	(Old Renters)	(0.101)	(Old Renters)	(4005.167)		(47.4294)
		Years in Zipcode	164.222***	MC per Ln Mile	11426.11***		
		(Young Renters)	(107.696)	(Young Renters)	(1816.79)		
		Years in Zipcode	141.439***	MC per Ln Mile	10066.49***		
		(Old Renters)	(90.99)	(Old Renters)	(1437.622)		
		Old Renter-Direct effect	70702.05***	ΔMC wrt Yrs in Zip	-415.607***		
			(12339.43)	(Young Renters)	(74.24046)		
				ΔMC wrt Yrs in Zip	-357.6618***		
				(Old Renters)	(57.12502)		

B.Demand Semi-Elasticities to Remain in Home with respect to 1 year Temporary Changes

Log Rent		Tenant Buyouts		Moving Costs		Neighborhood Capital	
Young Renters	-0.210***	Log Below Market Rent	-0.327***	Fixed Cost	0.580***	Young Renters	0.0019***
	(0.040)	(Young Renters)	(0.068)	(Young Renters)	(0.003)		(0.00007)
Old Renters	-0.244***	Log Below Market Rent	-0.327***	Fixed Cost	0.580***	Old Renters	0.0024***
	(0.041)	(Old Renters)	(0.068)	(Old Renters)	(0.003)		(0.00008)
		Years in Zipcode	-0.0012	MC per Mile	0.095***		
		(Young Renters)	(0.0008)	(Young Renters)	(0.005)		
		Years in Zipcode	-0.0012	MC per Mile	0.096***		
		(Old Renters)	(0.0008)	(Old Renters)	(0.005)		
		Old Renter-Direct effect	-0.583***	ΔMC wrt Yrs in Zip	-0.003***		
			(0.0082)	(Young Renters)	(-0.0002)		
				ΔMC wrt Yrs in Zip	-0.003***		
				(Old Renters)	(-0.0002)		

Table 5: Welfare Effects of 1994 Rent-Controlled Cohort in 2010 Dollars

A. Old Residents (Age 40+)

	1995-2003			2004-2012			1995-2012		
	Cumulative	Per Year	Share	Cumulative	Per Year	Share	Cumulative	Per Year	Share
Rent	30,285	3,365	40.6%	22,644	2,516	50.2%	52,929	2,940	44.2%
Payoff	25,560	2,840	34.3%	10,511	1,168	23.3%	36,071	2,004	30.2%
Neighborhood Capital	812	90	1.1%	583	65	1.3%	1,395	77	1.2%
Fixed Moving Cost	8,125	903	10.9%	1,352	150	3.0%	9,477	526	7.9%
Distance of Moves	3,857	429	5.2%	2,827	314	6.3%	6,684	371	5.6%
Amenity	-42	-5	-0.1%	-276	-31	-0.6%	-318	-18	-0.3%
Match Value	5,918	658	7.9%	7,470	830	16.6%	13,388	744	11.2%
Total per Person	74,514	8,279		45,111	5,012		119,625	6,646	

B. Young Residents (Age 20-39)

	1995-2003			2004-2012			1995-2012		
	Cumulative	Per Year	Share	Cumulative	Per Year	Share	Cumulative	Per Year	Share
Rent	20,782	2,309	63.1%	11,940	1,327	146.3%	32,722	1,818	79.6%
Payoff	12,537	1,393	38.0%	6,113	679	74.9%	18,650	1,036	45.4%
Neighborhood Capital	431	48	1.3%	750	83	9.2%	1,181	66	2.9%
Fixed Moving Cost	3,741	416	11.3%	-1,643	-183	-20.1%	2,098	117	5.1%
Distance of Moves	1,655	184	5.0%	-949	-105	-11.6%	706	39	1.7%
Amenity	243	27	0.7%	829	92	10.2%	1,073	60	2.6%
Match Value	-6,428	-714	-19.5%	-8,879	-987	-108.8%	-15,308	-850	-37.2%
Total per Person	32,960	3,662		8,162	907		41,121	2,285	

C. SF Aggregate

	1995-2003			2004-2012			1995-2012		
	Cumulative	Per Year	Share	Cumulative	Per Year	Share	Cumulative	Per Year	Share
Old	2,766,989,545	307,443,283	56.6%	1,675,156,256	186,128,473	76.2%	4,442,145,875	246,785,882	62.7%
Young	2,118,588,225	235,398,692	43.4%	524,611,003	58,290,111	23.8%	2,643,199,099	146,844,394	37.3%
All	4,885,577,770	542,841,975		2,199,767,259	244,418,584		7,085,344,974	393,630,276	

Figure 1: Historical Trend of Nominal Median Rent

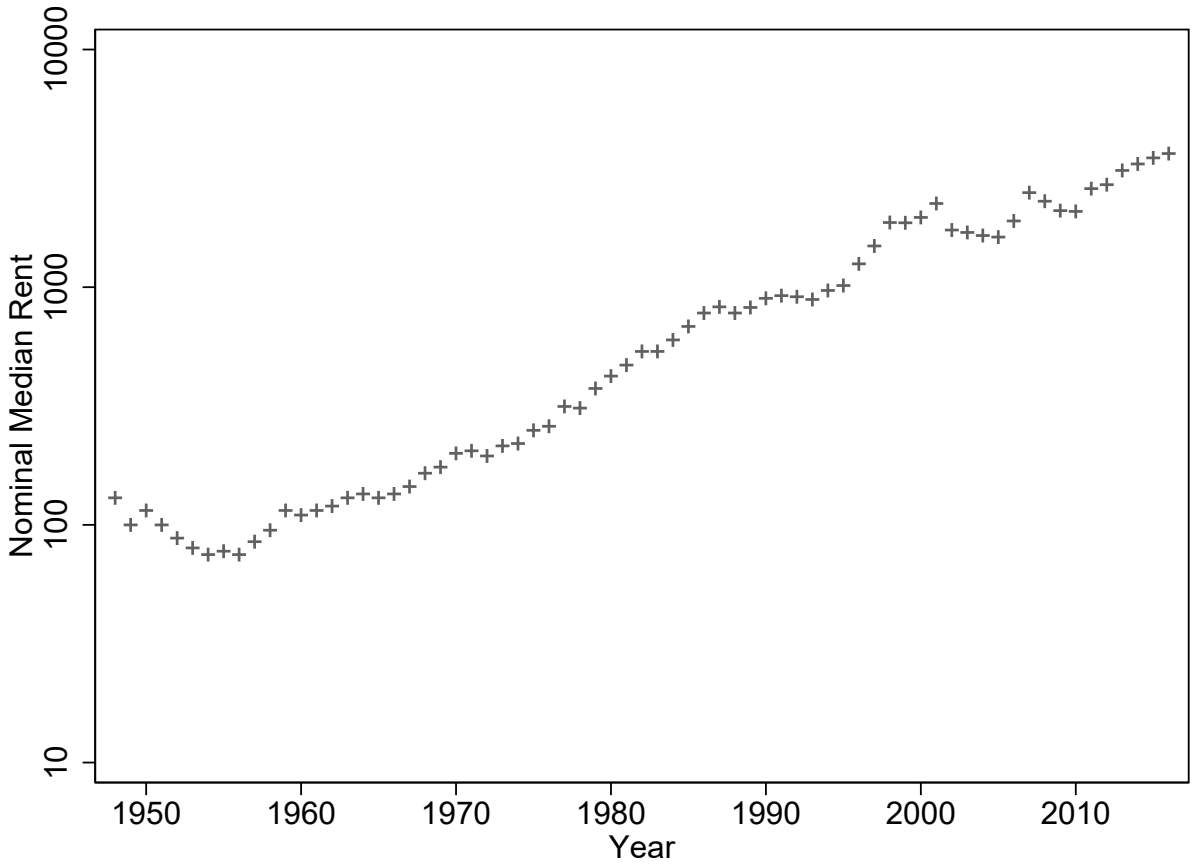


Figure 2: Geographic Distribution of Treated and Control Buildings in San Francisco

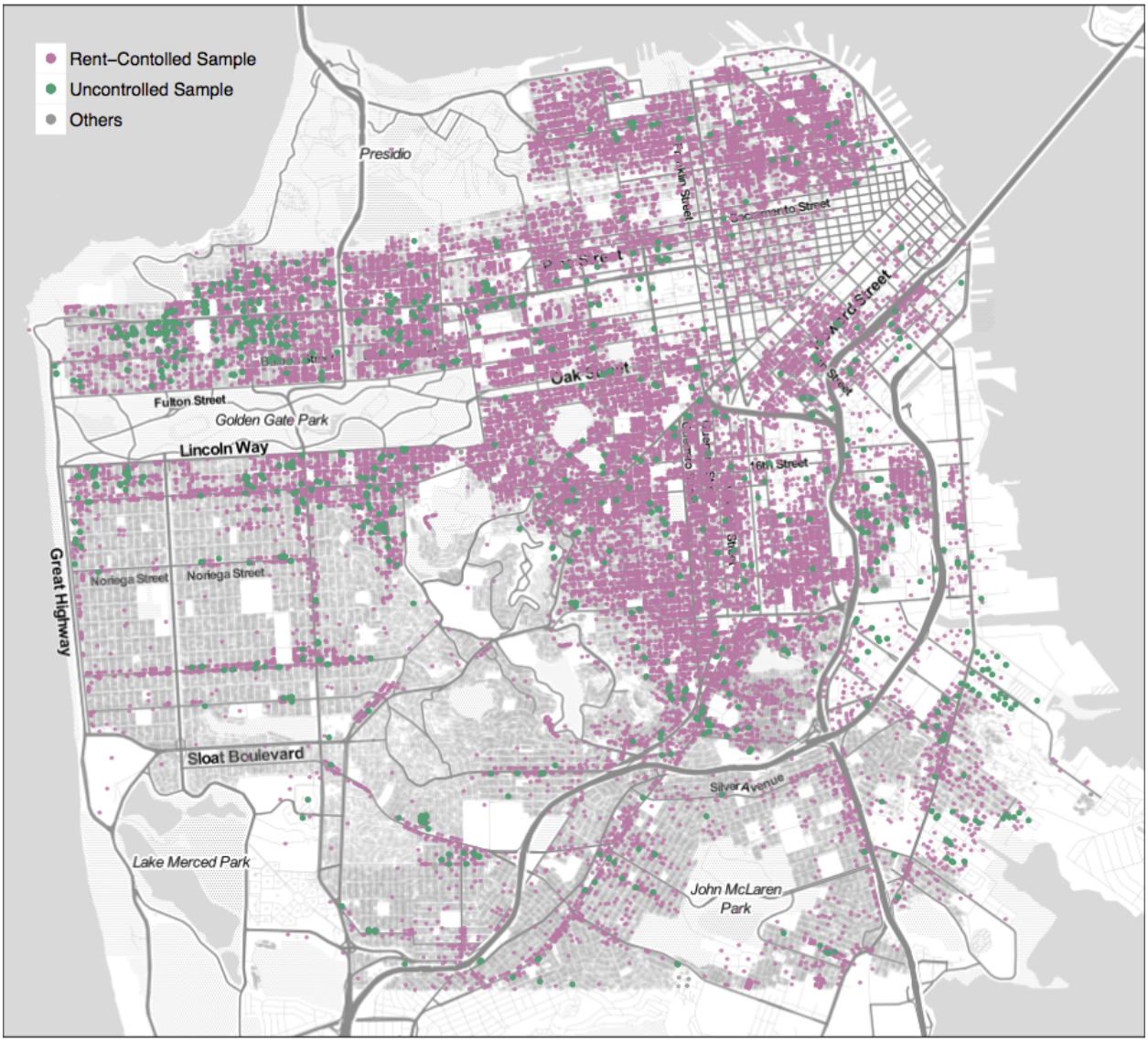
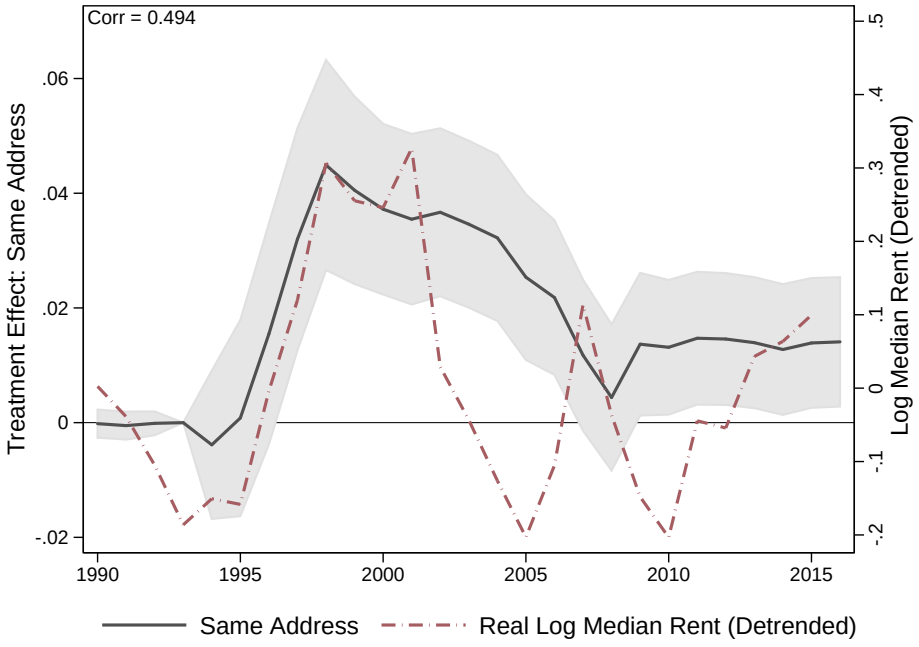
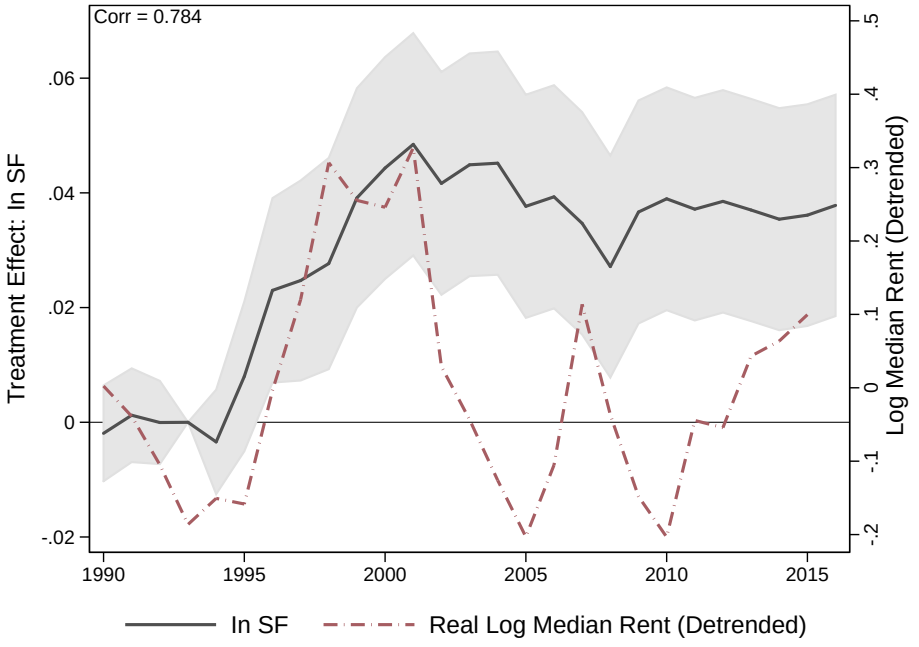


Figure 3: Treatment Effect for Tenants in Multi-Family Residence (2-4 Units)

(a) Staying at Same Address

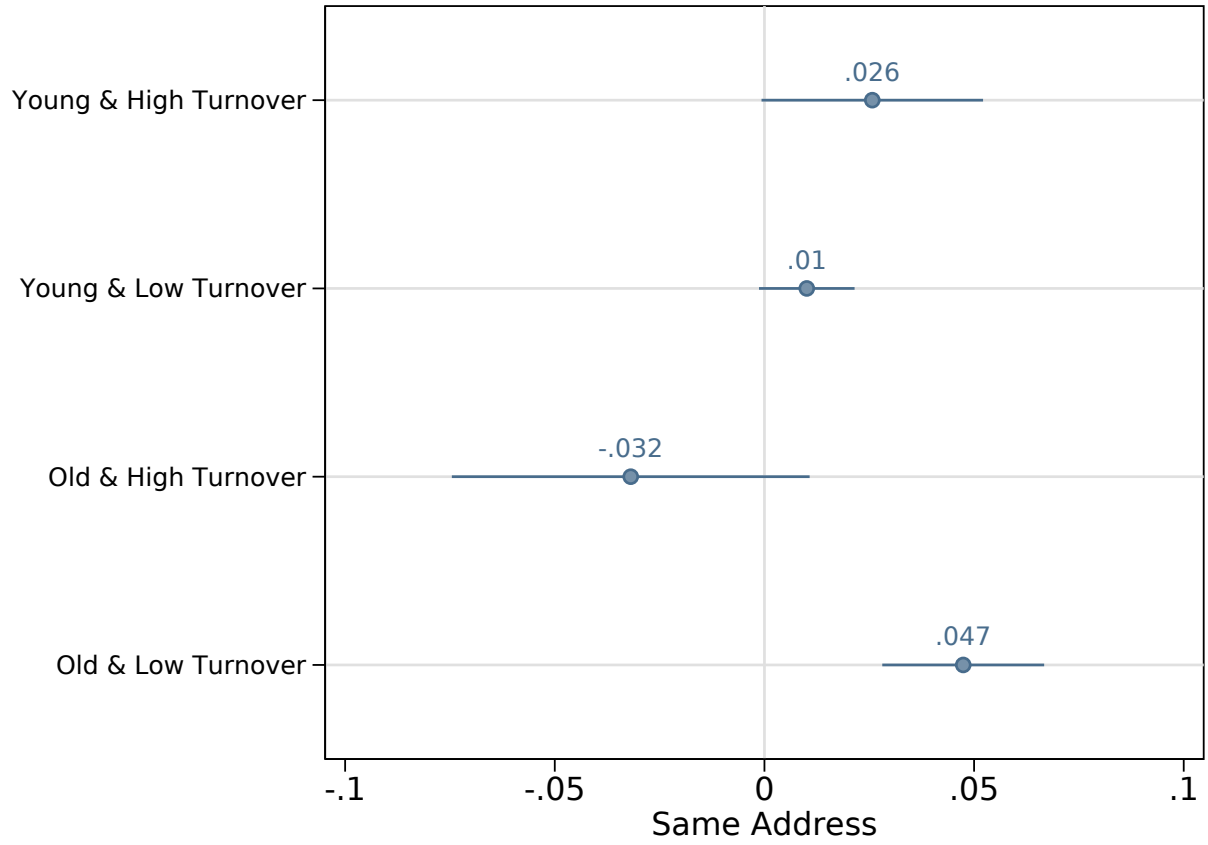


(b) Staying in San Francisco



Notes: Sample consists of all tenants between 20 and 65 years old living in SF in 1993 and in small multi-family residences that were built during 1900 – 1990. If a building is constructed post 1993 and we observe a tenant living there in 1993, we include it into the treatment group for rent control. Standard errors are clustered at the person level. Significance levels: * 10%, ** 5%, *** 1%.

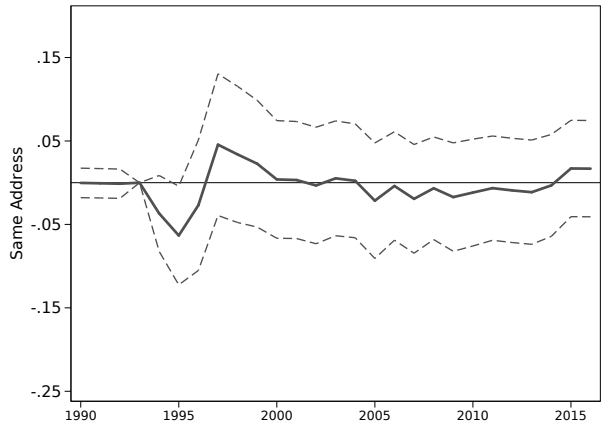
Figure 4: Heterogeneity by Age and Tenure in Treatment Effect for Tenants of Multi-Family Residence (2-4 Units)



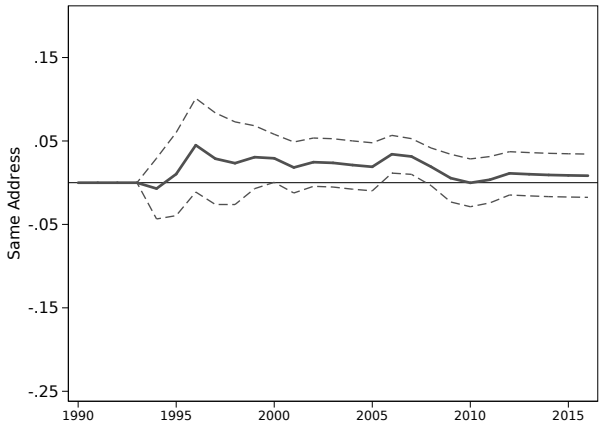
Notes: Sample consists of all tenants between 20 and 65 years old living in SF in 1993 and in small multi-family residences that were built during $1900 - 1990$. If a building is constructed post 1993 and we observe a tenant living there in 1993, we include it into the treatment group for rent control. We sort the sample by age group. The young group refers to residents who were aged 20-39 in 1993 and the old group are residents who were aged 40-65 in 1993. We also cut the data by number of years the individual has been living at their 1993 address. We define a "low turnover" group of individuals who had been living at their 1993 address for greater than or equal to four years and a "high turnover" group of individuals who had been living at their address for less than four years. The average treatment effects in the post-1994 period along with 90% CI are plotted. Standard errors are clustered at the person level.

Figure 5: Heterogeneity by Rent Appreciation, Age and Tenure in Treatment Effect for Tenants of Multi-Family Residence (2-4 Units)

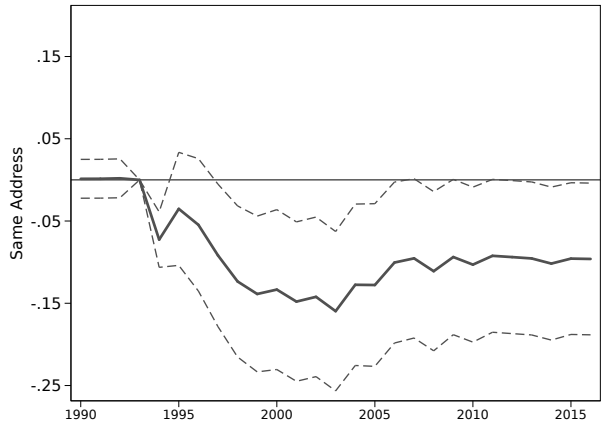
(a) High Rent Appreciation, Young and High Turnover



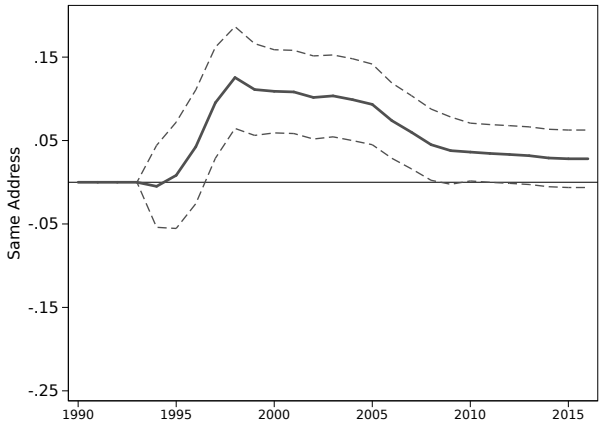
(b) High Rent Appreciation, Young and Low Turnover



(c) High Rent Appreciation, Old and High Turnover



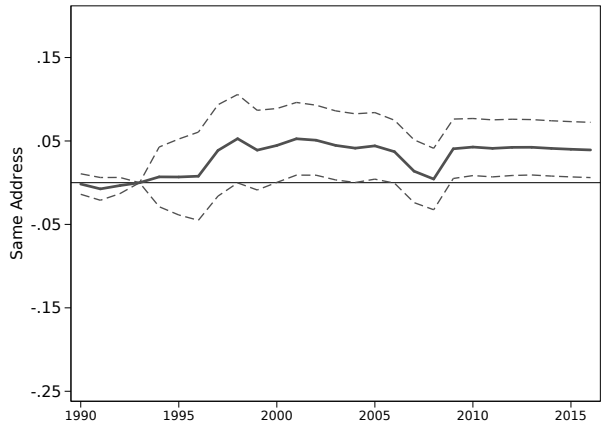
(d) High Rent Appreciation, Old and Low Turnover



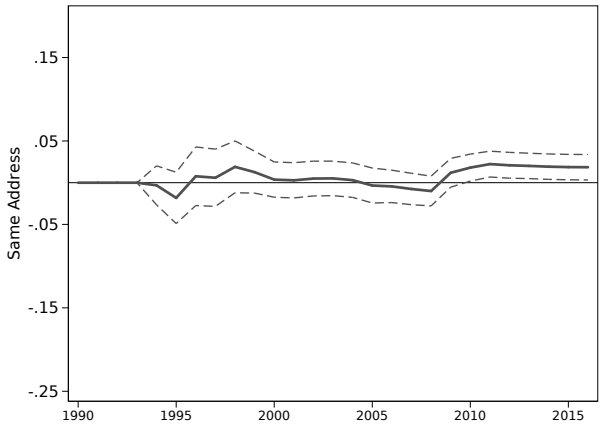
Notes: Sample consists of all tenants between 20 and 65 years old living in SF in 1993 and in small multi-family residences that were built during $1900-1990$. If a building is constructed post 1993 and we observe a tenant living there in 1993, we include it into the treatment group for rent control. We first individuals into two groups by whether their 1993 census tract experienced above or below median rent appreciation during 1990-2000. We further sort the sample by age group and tenure following the same definitions as in Figure 4. The treatment effects along with 90% CI are plotted. Standard errors are clustered at the person level.

Figure 6: Heterogeneity by Rent Appreciation, Age and Tenure in Treatment Effect for Tenants of Multi-Family Residence (2-4 Units)

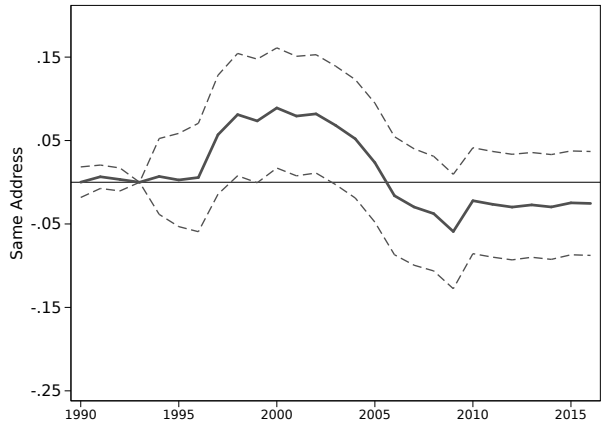
(a) Low Rent Appreciation, Young and High Turnover



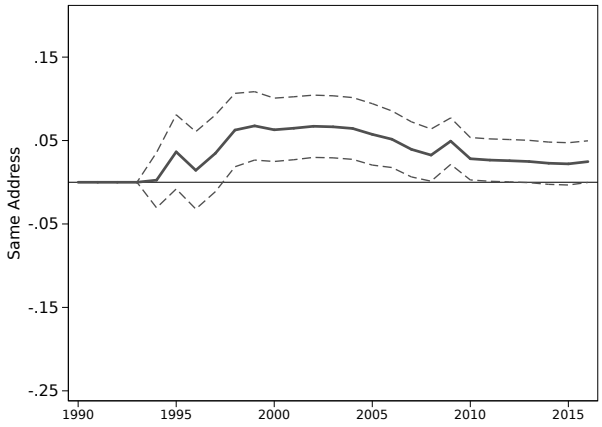
(b) Low Rent Appreciation, Young and Low Turnover



(c) Low Rent Appreciation, Old and High Turnover

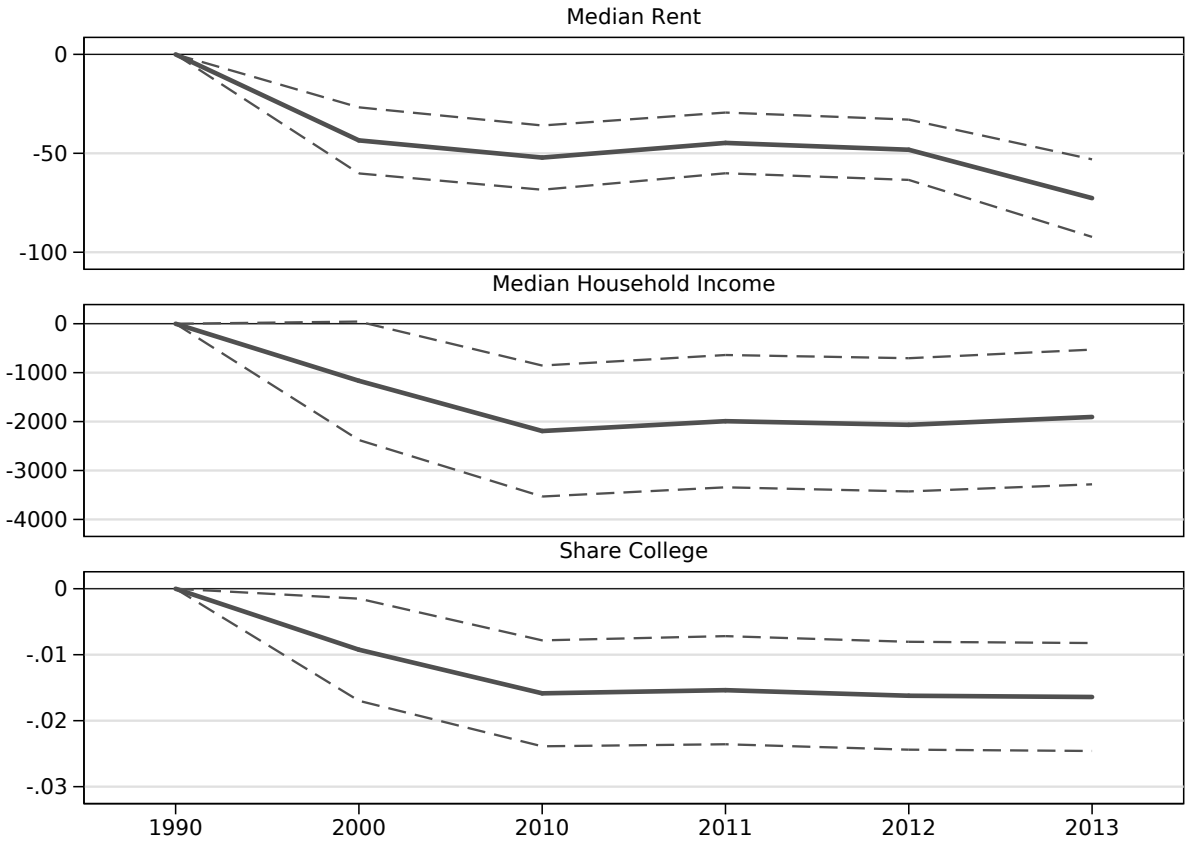


(d) Low Rent Appreciation, Old and Low Turnover



Notes: Sample consists of all tenants between 20 and 65 years old living in SF in 1993 and in small multi-family residences that were built during $1900-1990$. If a building is constructed post 1993 and we observe a tenant living there in 1993, we include it into the treatment group for rent control. We first individuals into two groups by whether their 1993 census tract experienced above or below median rent appreciation during 1990-2000. We further sort the sample by age group and tenure following the same definitions as in Figure 4. The treatment effects along with 90% CI are plotted. Standard errors are clustered at the person level.

Figure 7: Treatment Effect at the Census Tracts level for Tenants of Multi-Family Residence (2-4 Units) – Dynamic Version

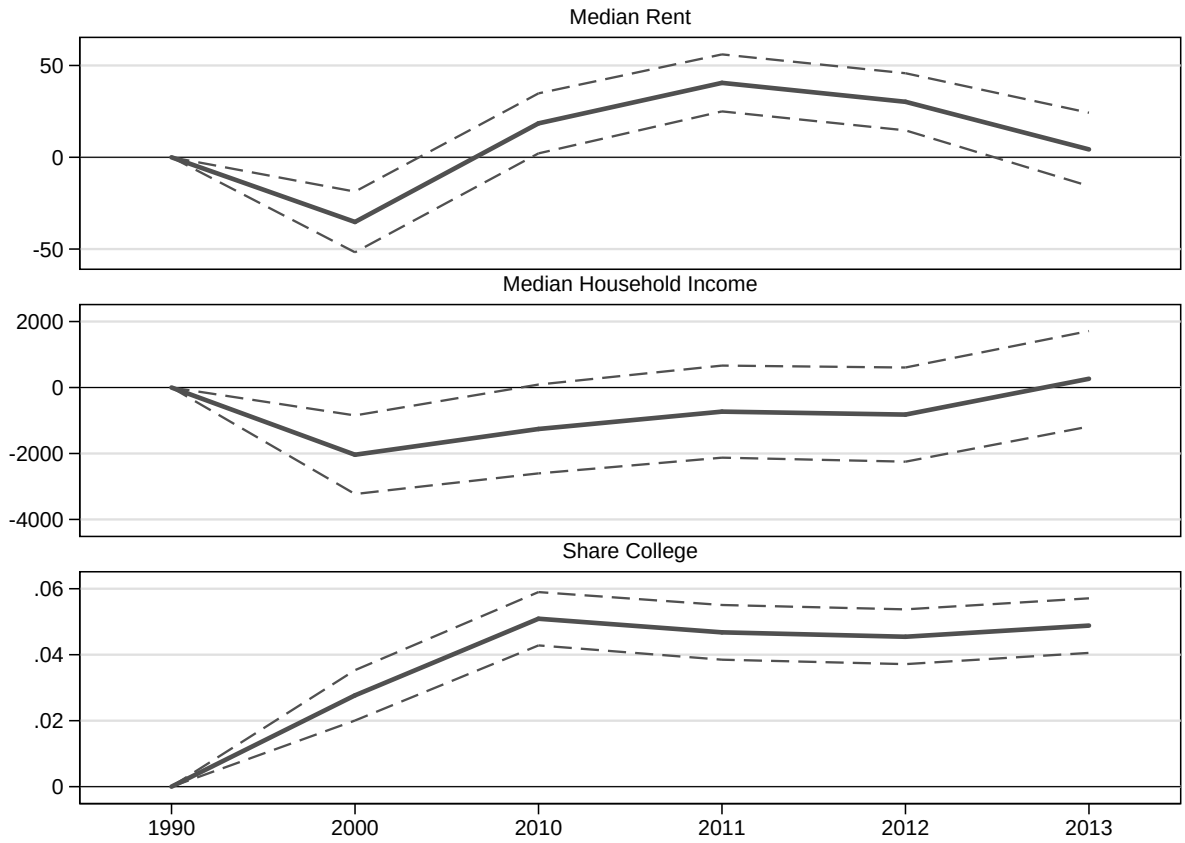


Notes: Sample consists of all tenants between 20 and 65 years old living in SF in 1993 and in small multi-family residences that were built during $1900 - 1990$. If a building is constructed post 1993 and we observe a tenant living there in 1993, we include it into the treatment group for rent control. Median rent, median household income and share of residents with college education and above are measured in the census tract that an individual is living in a given year. The treatment effects along with 90% CI are plotted. Standard errors are clustered at the person level.

Figure 8: Treatment Effect at the Census Tracts level for Tenants of Multi-Family Residence (2-4 Units) – Dynamic Version

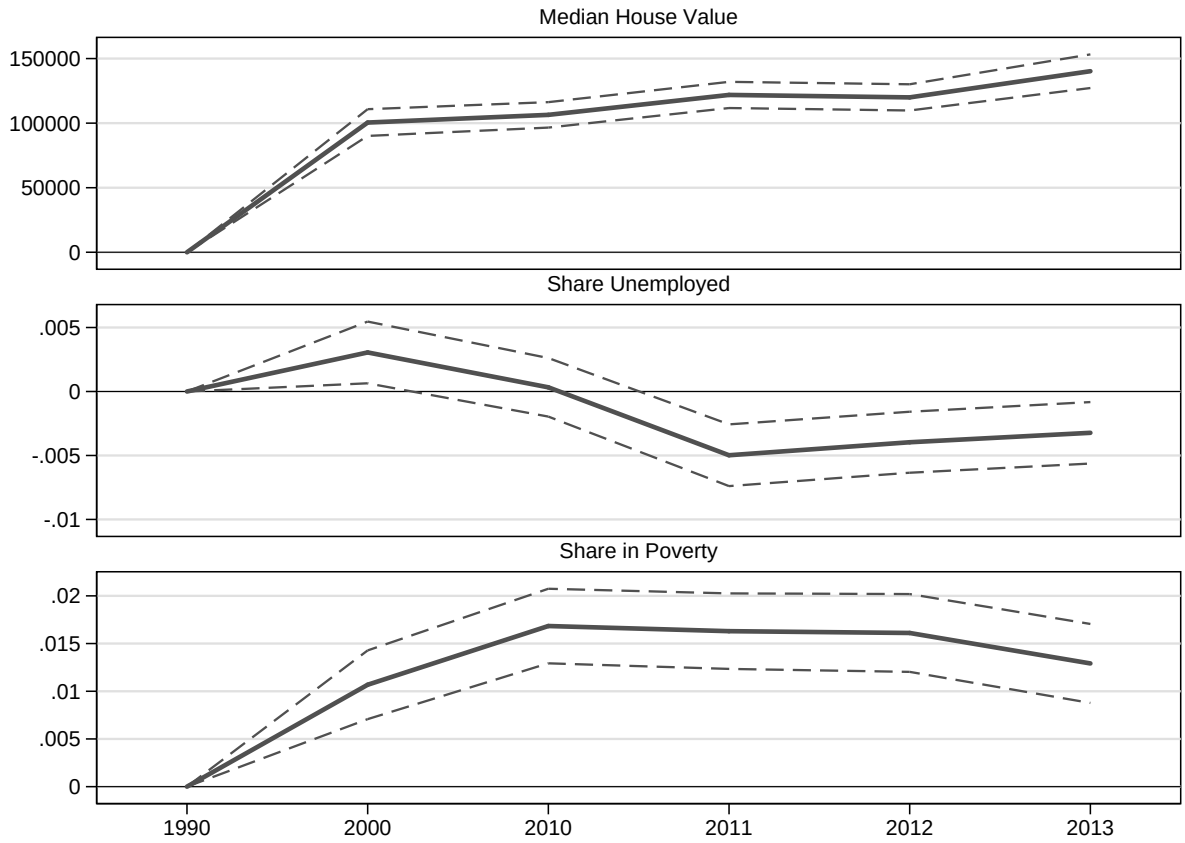
Notes: Sample consists of all tenants between 20 and 65 years old living in SF in 1993 and in small multi-family residences that were built during $1900 - 1990$. If a building is constructed post 1993 and we observe a tenant living there in 1993, we include it into the treatment group for rent control. Median house value, share of unemployed and share of residents below poverty line are measured in the census tract that an individual is living in a given year. The treatment effects along with 90% CI are plotted. Standard errors are clustered at the person level.

Figure 9: Treatment Effect at the Census Tracts level for Tenants of Multi-Family Residence (2-4 Units) – Static Version



Notes: Sample consists of all tenants between 20 and 65 years old living in SF in 1993 and in small multi-family residences that were built during $1900 - 1990$. If a building is constructed post 1993 and we observe a tenant living there in 1993, we include it into the treatment group for rent control. Median rent, median household income and share of residents with college education and above are measured in the census tract that an individual is living in a given year for the control group, and are measured in their 1993 census tract for the treated group. The treatment effects along with 90% CI are plotted. Standard errors are clustered at the person level.

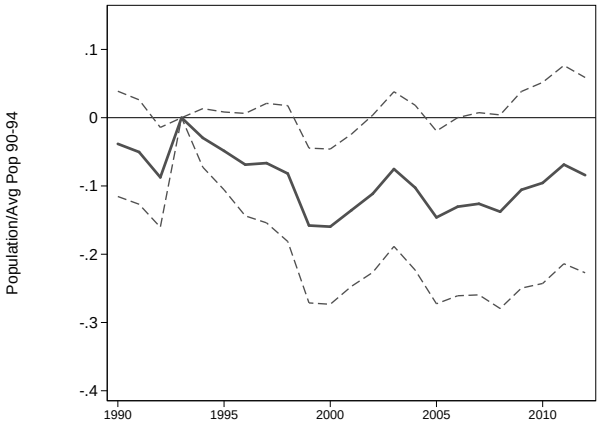
Figure 10: Treatment Effect at the Census Tracts level for Tenants of Multi-Family Residence (2-4 Units) – Static Version



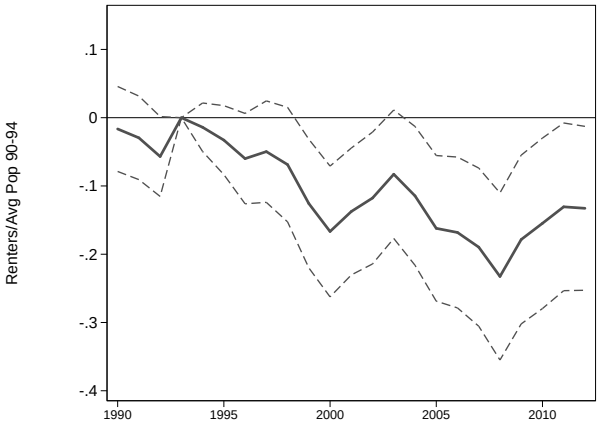
Notes: Sample consists of all tenants between 20 and 65 years old living in SF in 1993 and in small multi-family residences that were built during $1900 - 1990$. If a building is constructed post 1993 and we observe a tenant living there in 1993, we include it into the treatment group for rent control. Median house value, share of unemployed and share of residents below poverty line are measured in the census tract that an individual is living in a given year for the control group, and are measured in their 1993 census tract for the treated group. The treatment effects along with 90% CI are plotted. Standard errors are clustered at the person level.

Figure 11: Treatment Effect for Multi-Family Residence (2-4 Units)

(a) Population/Average Population 1990-1994

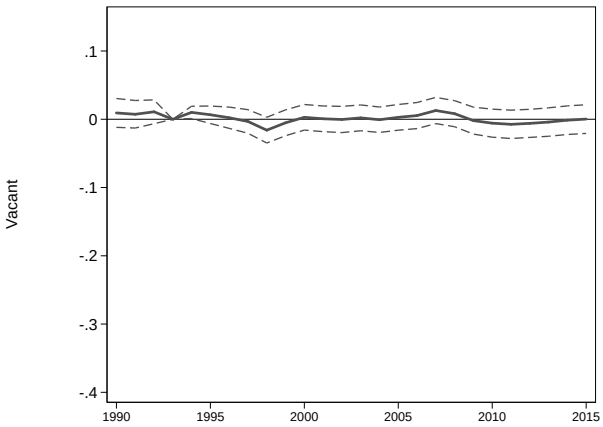


(b) Renters/Average Population 1990-1994



(c) Owners/Average Population 1990-1994

(d) Vacancy

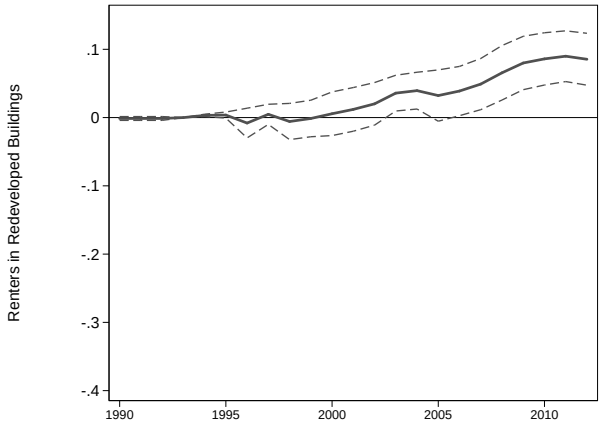


Notes: Sample consists of all small multi-family residences that were built during $1900 - 1990$. If a building is constructed post 1993 and we observe a tenant living there in 1993, we include it into the treatment group for rent control. The treatment effects along with 90% CI are plotted. Standard errors are clustered at the parcel level.

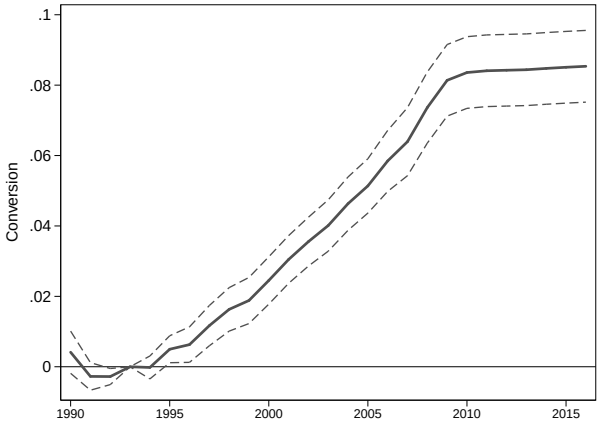
Figure 12: Treatment Effect for Multi-Family Residence (2-4 Units)

(a) Renters in Rent-Controlled Buildings/Average Population 1990-1994

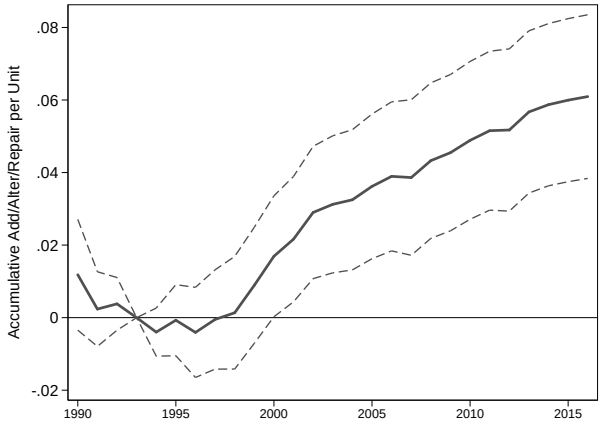
(b) Renters in Redeveloped Buildings/Average Population 1990-1994



(c) Conversion



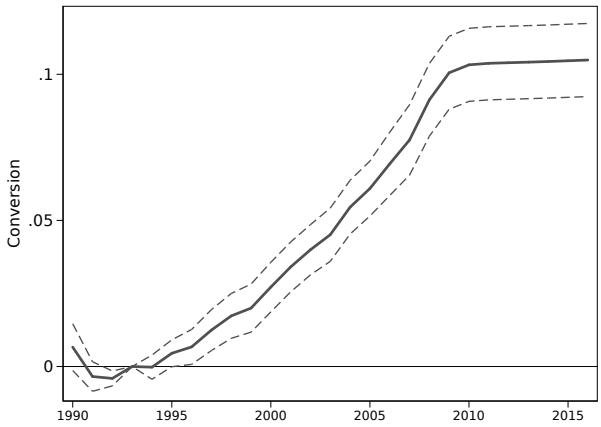
(d) Accumulative Add/Alter/Repair per Unit



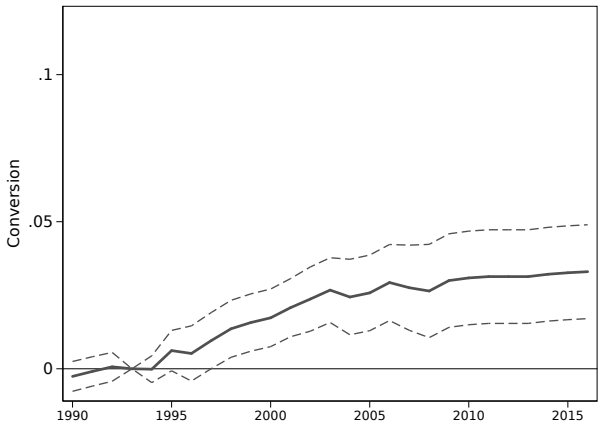
Notes: Sample consists of all small multi-family residences that were built during $1900 - 1990$. If a building is constructed post 1993 and we observe a tenant living there in 1993, we include it into the treatment group for rent control. The treatment effects along with 90% CI are plotted. Standard errors are clustered at the parcel level.

Figure 13: Heterogeneity by Rent Appreciation in Treatment Effect for Multi-Family Residence (2-4 Units)

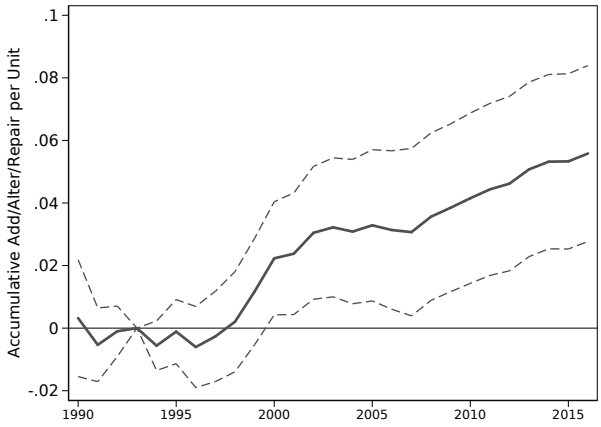
(a) Conversion, High Rent Appreciation



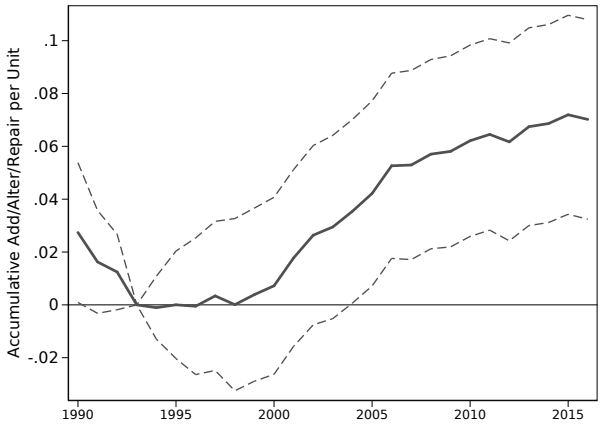
(b) Conversion, Low Rent Appreciation



(c) Accumulative Add/Alter/Repair per Unit, High Rent Appreciation



(d) Accumulative Add/Alter/Repair per Unit, Low Rent Appreciation



Notes: Sample consists of all small multi-family residences that were built during $1900 - 1990$. If a building is constructed post 1993 and we observe a tenant living there in 1993, we include it into the treatment group for rent control. We sort our sample by whether their 1993 census tract experienced above or below median rent appreciation during 1990-2000. The treatment effects along with 90% CI are plotted. Standard errors are clustered at the parcel level.

Figure 14: Average Annual Tenant Buyouts

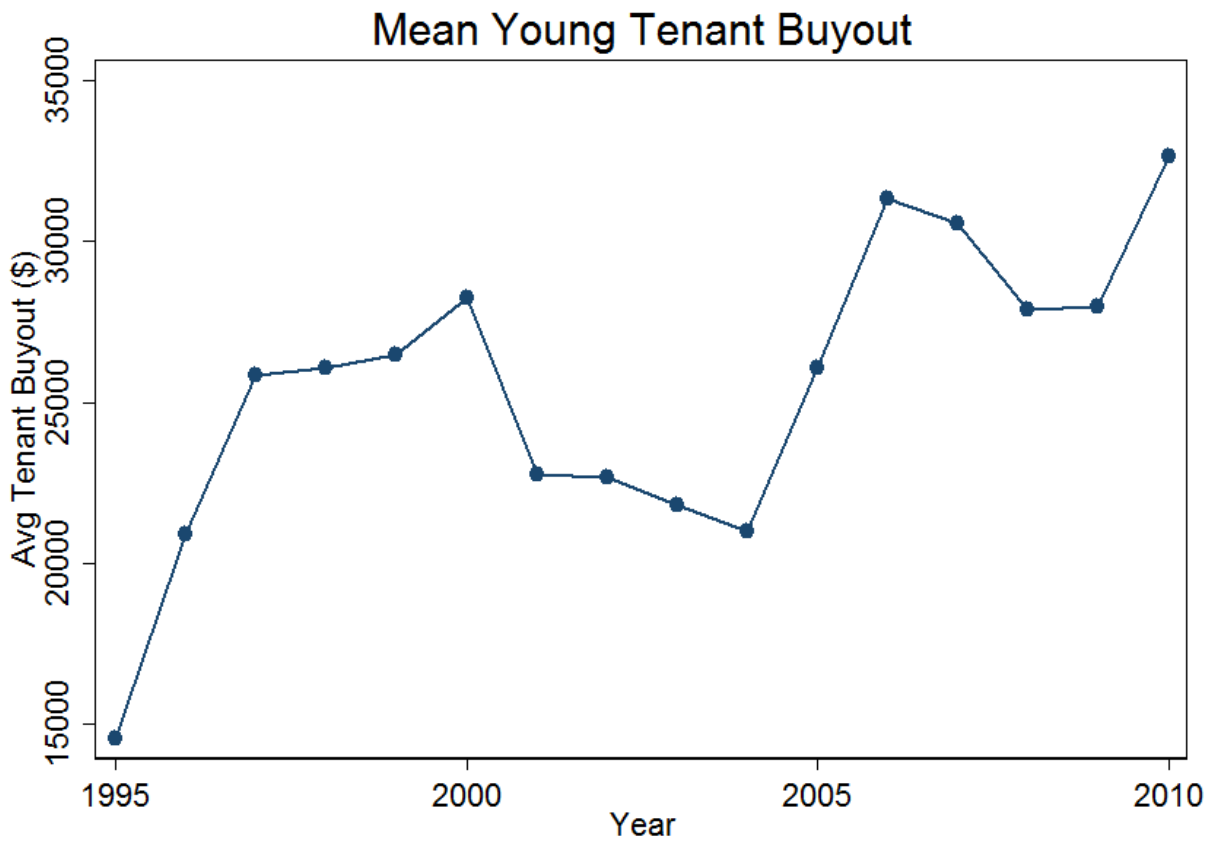
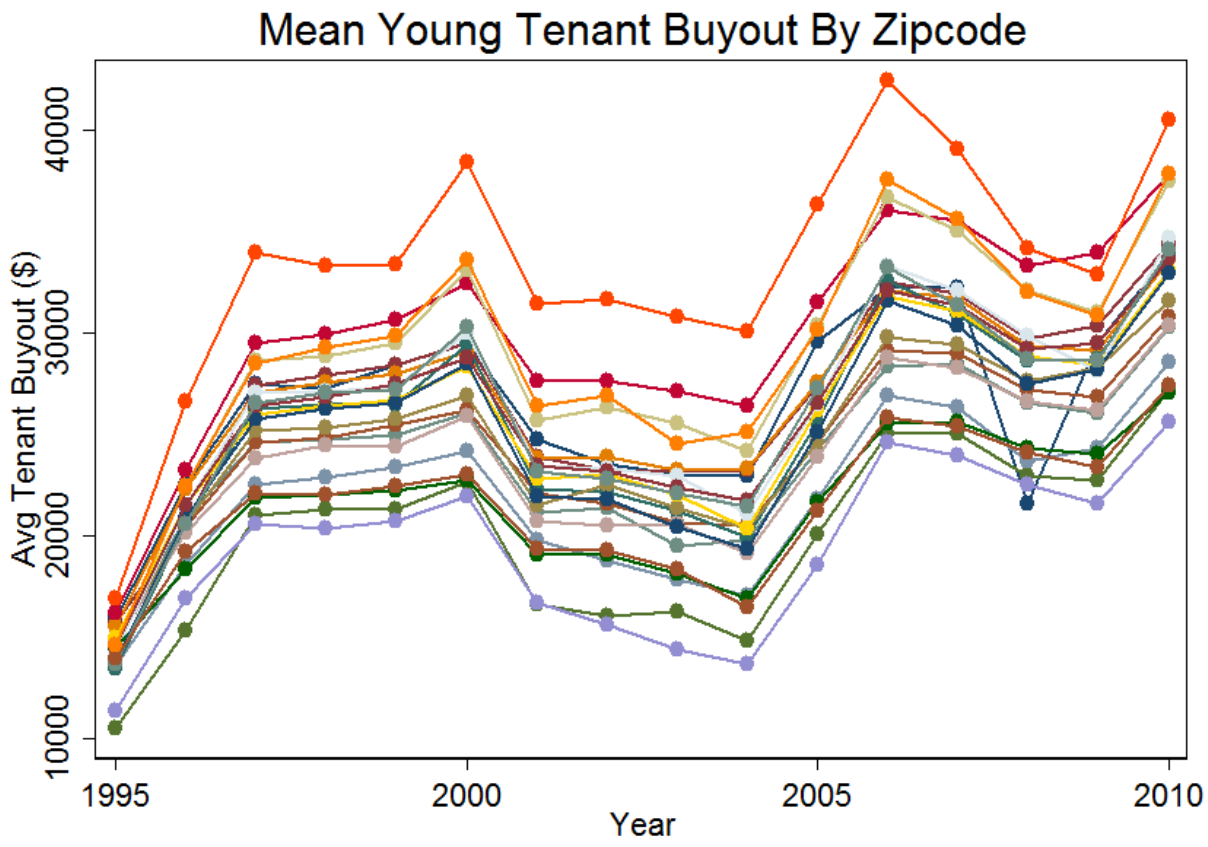


Figure 15: Annual Tenant Buyouts by Zipcode



A Appendix Tables

Table A.1: Treatment Effect for Multi-Family Residence (2-4 Units)

	(1) Permanently Vacant	(2) Vacant	(3) Population/ Avg Pop 90-94	(4) Renters/ Avg Pop 90-94	(5) Renters in Rent-Controlled Buildings/ Avg Pop 90-94	(6) Renters in Redeveloped Buildings/ Avg Pop 90-94	(7) Owners/ Avg Pop 90-94	(8) Conversion	(9) Accumulative Add/Alter/Repair per Unit	(10) Ever Received Add/Alter/Repair
Treat×*Period*										
1994-1999	-0.0024	-0.0085	-0.0329	-0.0342	-0.0434	0.0005	0.0013	0.0100***	-0.0043	0.0140*
	(0.0046)	(0.0095)	(0.0604)	(0.0472)	(0.0481)	(0.0084)	(0.0299)	(0.0032)	(0.0085)	(0.0081)
2000-2005	0.0048	-0.0064	-0.0791	-0.1059*	-0.1516**	0.0253	0.0269	0.0384***	0.0234*	0.0413***
	(0.0067)	(0.0114)	(0.0814)	(0.0638)	(0.0654)	(0.0176)	(0.0394)	(0.0045)	(0.0123)	(0.0111)
Post 2006	0.0084	-0.0076	-0.0642	-0.1453*	-0.2457***	0.0717***	0.0811**	0.0793***	0.0459***	0.0552***
	(0.0094)	(0.0116)	(0.0933)	(0.0747)	(0.0773)	(0.0225)	(0.0409)	(0.0061)	(0.0144)	(0.0130)
Control Mean 1994 – 1999	0.0293	0.0800	1.8291	1.3540	1.3395	0.0232	0.4752	0.3360	0.1825	0.2352
Control Mean 2000 – 2005	0.0469	0.0968	2.1917	1.6278	1.5978	0.0502	0.5639	0.3460	0.2473	0.3066
Control Mean Post 2006	0.1035	0.1137	2.4287	1.8338	1.7659	0.0965	0.5949	0.3667	0.2976	0.3624
Adjusted R^2	0.565	0.354	0.600	0.569	0.555	0.404	0.603	0.747	0.803	0.763
Observations	724037	724037	643589	643589	643589	643589	643589	769181	706633	724037

Notes: Sample consists of all small multi-family residences that were built during 1900 – 1990. If a building is constructed post 1993 and we observe a tenant living there in 1993, we include it into the treatment group for rent control. Table reports the mean of dependent variables for the control group during 1994 – 1999, 2000 – 2005 and post-2006. Standard errors are clustered at the parcel level. Significance levels: * 10%, ** 5%, *** 1%.

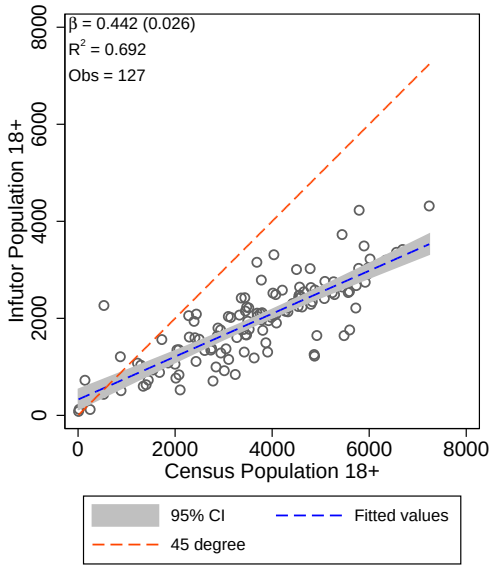
Table A.2: Model Estimates

A. Model Parameter Estimates in Exp(Rent) Units

St Dev of Logit Shocks		Tenant Buyouts		Moving Costs		Neighborhood Capital	
Young Renters	2.55***	Log Below Market Rent	-17.581***	Fixed Cost	25.146***	Young Renters	0.1292***
	(0.562)	(Young Renters)	(1.398)	(Young Renters)	(5.551)		(0.0298)
Old Renters	2.271***	Log Below Market Rent	-15.658***	Fixed Cost	22.377***	Old Renters	0.1329***
	(0.453)	(Old Renters)	(1.283)	(Old Renters)	(4.444)		(0.0258)
		Years in Zipcode	0.671***	MC per Mile	4.129***		
		(Young Renters)	(0.152)	(Young Renters)	(0.874)		
		Years in Zipcode	0.597***	MC per Mile	3.685***		
		(Old Renters)	(0.122)	(Old Renters)	(0.706)		
		Old Renter-Direct effect	4.625***	ΔMC wrt Yrs in Zip	-0.1258***		
			(0.927)	(Young Renters)	(0.02515)		
				ΔMC wrt Yrs in Zip	-0.112***		
				(Old Renters)	(0.02029)		

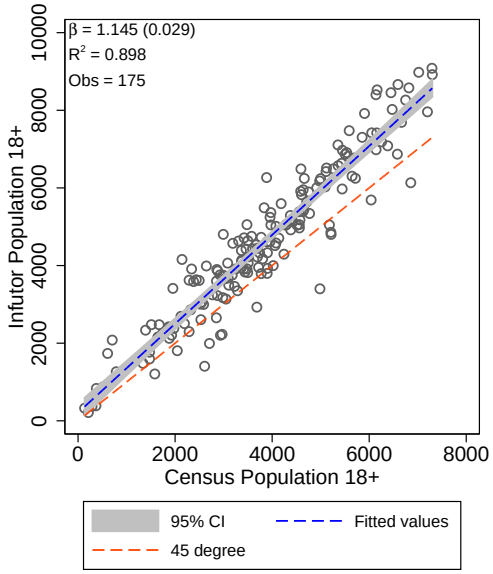
Notes: Model parameter estimates in the units of exponential value of monthly rent divided by $\$1,500$.

Figure A.1: Population Age 18 and above: 1990 Census



Notes: The size of marker is proportional to the population of 18 and over in the Census in each census tract. The fitted line is by weighted least square using the population of 18 and over in the Census as weights.

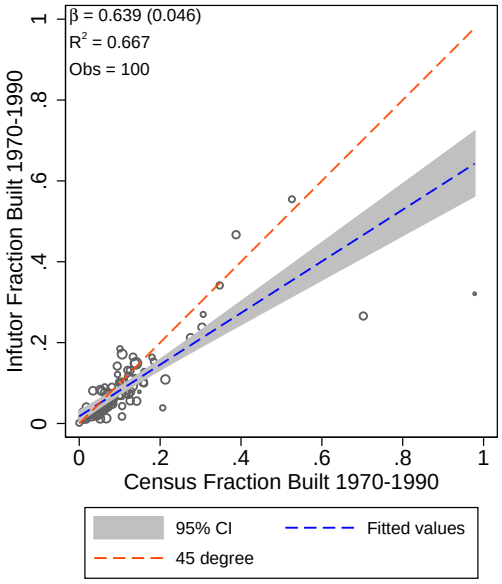
Figure A.2: Population Age 18 and above: 2000 Census



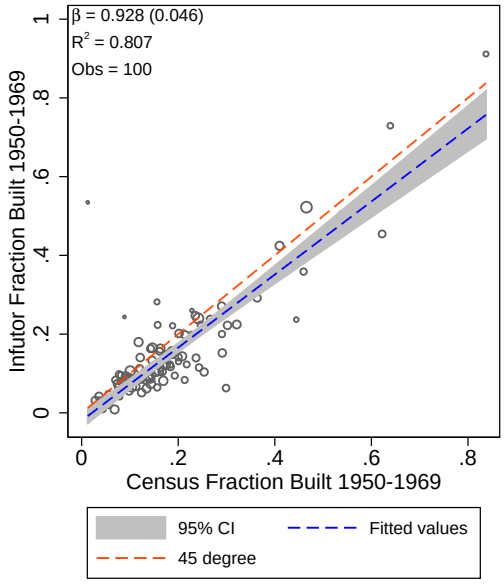
Notes: The size of marker is proportional to the population of 18 and over in the Census in each census tract. The fitted line is by weighted least square using the population of 18 and over in the Census as weights.

Figure A.3: Age of Occupied Housing: 1990 Census

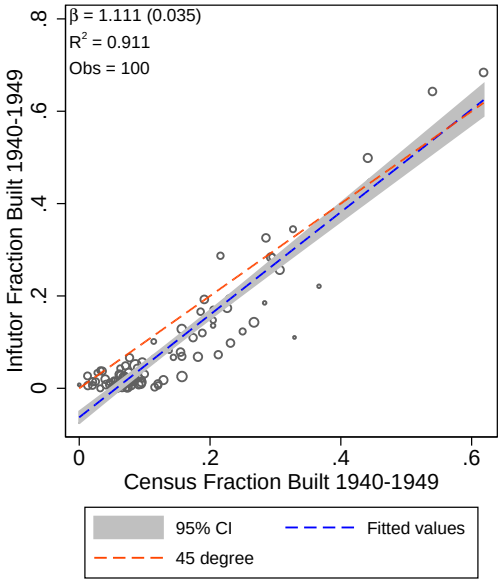
(a) Built 1970 to 1990: 1990 Census



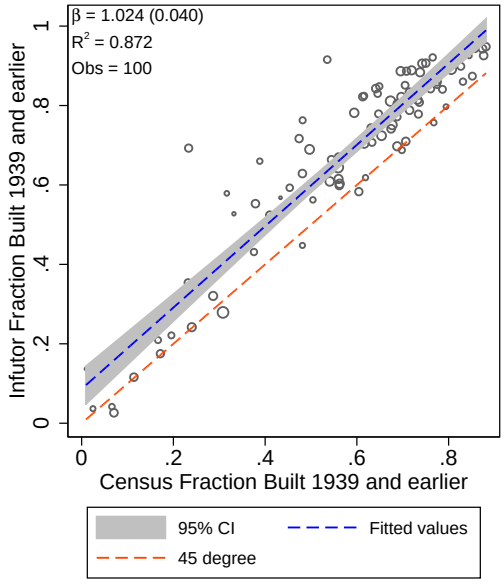
(b) Built 1950 to 1969: 1990 Census



(c) Built 1940 to 1949: 1990 Census



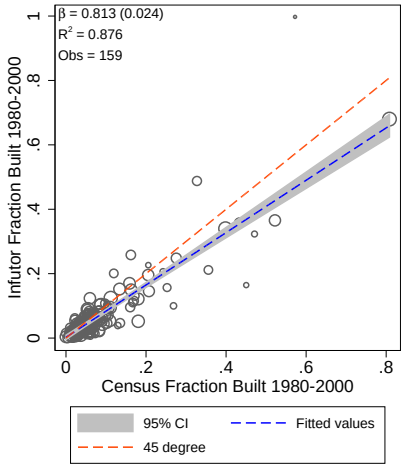
(d) Built 1939 or earlier: 1990 Census



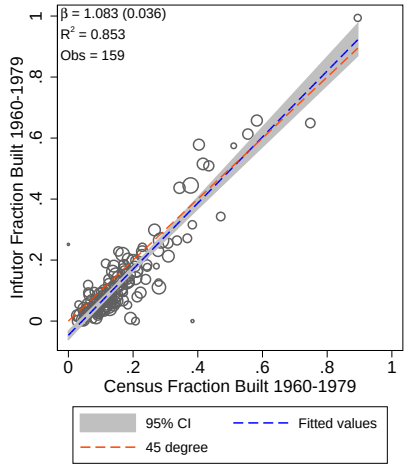
Notes: The size of marker is proportional to the number of occupied housing units in each census tract. The fitted line is by weighted least square using the number of occupied housing units as weights.

Figure A.4: Age of Occupied Housing: 2000 Census

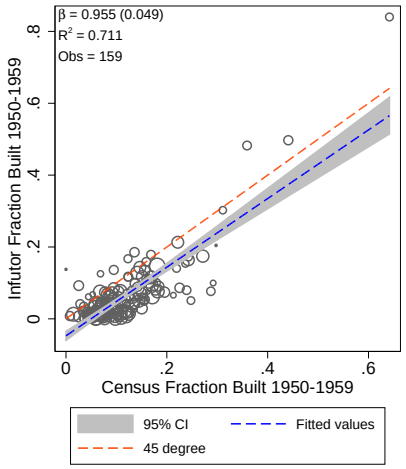
(a) Built 1980 to 2000: 2000 Census



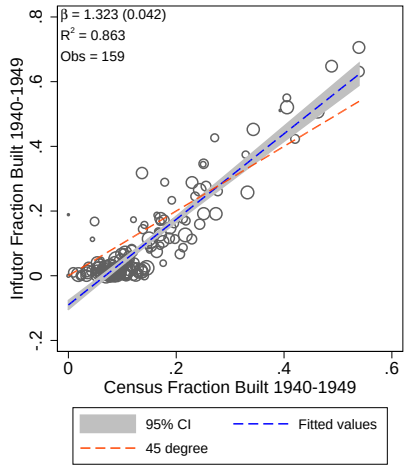
(b) Built 1960 to 1979: 2000 Census



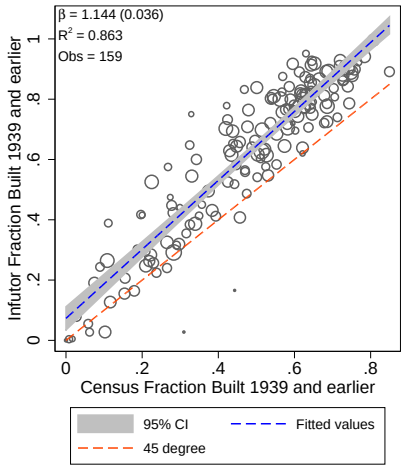
(c) Built 1950 to 1959: 2000 Census



(d) Built 1940 to 1949: 2000 Census

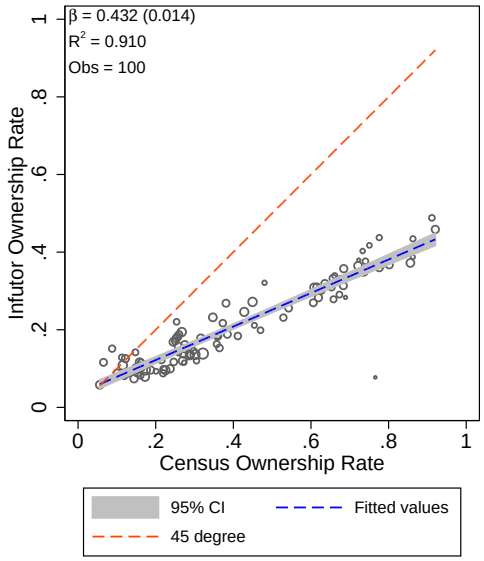


(e) Built 1930 or earlier: 2000 Census



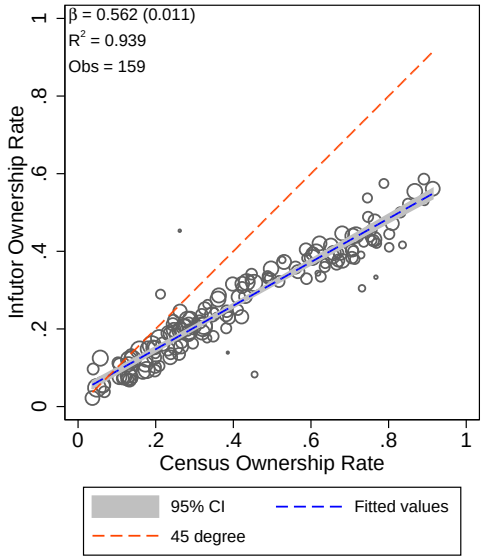
Notes: The size of marker is proportional to the number of occupied housing units in each census tract. The fitted line is by weighted least square using the number of occupied housing units as weights.

Figure A.5: Ownership Rate at Person Level: 1990 Census



Notes: Plot shows the ownership rate at the person level from our Infutor sample in 1990 against the ownership rate of occupied housing units in 1990 Census. The size of marker is proportional to the number of occupied housing units in each census tract. The fitted line is by weighted least square using the number of occupied housing units as weights.

Figure A.6: Ownership Rate at Person Level: 2000 Census



Notes: Plot shows the ownership rate at the person level from our Infutor sample in 1990 against the ownership rate of occupied housing units in 1990 Census. The size of marker is proportional to the number of occupied housing units in each census tract. The fitted line is by weighted least square using the number of occupied housing units as weights.

Subject: Testimony to the Housing and Buildings Committee of the City Council

Dear City Council Members-

I would like to submit the following testimony regarding Intro. 600-A and Resolution 188-A of 2018:

My name is Eva Mallis and I am an owner and operator of buildings in Astoria, Queens. My family has owned and managed properties in Astoria for over 50 years. We take pride in our management.

Before you is the far reaching decision to determine whether the City of New York is experiencing a housing emergency.
I can assure you, we are most definitely experiencing a housing emergency, however, not the type you are assuming.
Our emergency concerns an extreme shortage of two bedroom, resulting directly from the fact the rent stabilized tenants, who occupy the majority of the two bedroom apartments,refuse to vacate, even though they no longer have a need for the additional square footage. They refuse to vacate due to years of public policy favoring the lucky few who are guaranteed life long privileges.

A housing emergency exists because the multi generational inheritors of rent stabilized two bedroom apartments hold onto these apartments, indefinitely.
Most often, the tenant of record remains long enough to ensure another family member returns or begins to cohabitate, for the sole purpose of inheriting this rent regulated apartment.

A housing emergency exists because so many young families cannot find a reasonably priced free market two bedroom apartment due to the fact fair market apartments must absorb the operating costs not covered by rent stabilized rents.
A quick analysis reveals most rent stabilized rents do not cover their fair share of the operating expenses and therefore, many expenses are passed onto free market units.

We repeatedly have to turn away current tenants occupying one bedroom apartments who start families and wish to remain in the City, yet need more space. They cannot

find a two bedroom apartment in an affordable neighborhood because of non-existent turnover in rent stabilized two bedroom apartments.

It isn't good public policy to favor the few who won the rent stabilized lottery while the market rate tenants have to cover more than their fair share of the operating expenses. They're being priced out of the City because of a lack of turnover.

I urge the City Council to repeal Resolution 188-A of 2018, acknowledging a public emergency no longer exists requiring rent regulation to continue and that we must now begin to repair the imbalance created by a policy that no longer serves the majority of the City's residents.

Thank you,
Eva Mallis

Eva Mallis
MNE Residential Properties LLC
P.O. Box 716
Harrison, New York 10528
Phone/Fax (914) 925-0664

PUBLIC ADVOCATE FOR THE CITY OF NEW YORK
Letitia James

**Testimony of the Public Advocate for the City of New York, Letitia James,
Before the New York City Council Housing and Buildings Committee
March 19, 2018**

Good Morning. My name is Letitia James and I am the Public Advocate for the City of New York.

I want to thank Chair Cornegy, his staff, and the committee staff for holding today's hearing on the continuing need for rent control and rent regulation.

I would also like to thank Speaker Johnson for introducing the legislation necessary to extend New York's rent control and rent regulation laws.

It is a strange and difficult thing to live in a state of perpetual housing emergency for decades on end. But that is New York City's reality and we must face it head on and tailor our policy agenda accordingly.

While this year's Housing Vacancy Survey contains some relatively positive news, it also illustrates the depth and persistence of our affordable housing crisis.

For rent stabilized housing the vacancy rate is approximately 2%, and for heavily subsidized units, such as public housing or developments with project-based rental assistance, the vacancy rate is less than 1%.

Clearly we need to redouble our efforts to create and preserve affordable housing and fight to keep units from being unlawfully deregulated by unscrupulous landlords.

However the most surprising, and troubling, data points concerned those vacant properties not available for sale or rent.

A staggering quarter-million homes have no one living in them, yet are not on the market. Of those, nearly 75,000 were held for recreational and seasonal use, nearly 6,000 were held unoccupied pending the sale of a building and another 27,000 were held vacant for unspecified reasons.

This data points directly to the need to ensure that individuals who own underutilized properties that could be used to house New Yorkers at least pay their fair share. That means instituting a graduated Pied a Terre Tax where second-home owners who do not pay City income taxes but utilize City services are charged an escalating rate based on the value of their properties.

It is also clear that there is still too much information we're missing in the quest for a full picture of the City's potential for affordable housing. I believe that a bill I sponsor, Int. 226-2018,

which would create a mandatory registry for all vacant property owners with fines for failure to register, could play a critical role in filling in those gaps.

All over the City, there are countless vacant lots and buildings, many unaccounted for, that could potentially serve as the site of permanent low-income housing. Speculators sit on vacant properties for years, waiting for the most lucrative opportunity and allowing precious resources that could be used for affordable housing to languish. It is basic common-sense that we should know what lots and buildings are vacant, so that we can best understand what resources we have at our disposal.

This registry will help give us the tools we need to combat the shortage of space that keeps people on the streets, forces them out of the City, or crams their kids in a building intended for far fewer children. If New York City is truly dedicated to solving the housing crisis and eradicating homelessness, we need to know what resources we have and where people can live.

At the end of last year, the Council passed two-thirds of the Housing Not Warehousing Act. Now the time has come to finish the job.

I look forward to working with all of you to make that a reality.

Thank you.

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 600A Res. No. 185A

☐ in favor ☐ in opposition

Date: 3/19/2018

(PLEASE PRINT)

Name: Abigail Martinez

Address: 880 - 53 st.

I represent: Neighbors Helping Neighbors

Address: 128-32 st. #106 BK NY 11232

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 600A Res. No. 188A

☒ in favor ☐ in opposition

Date: 3-19-2018

(PLEASE PRINT)

Name: Marcela Mitaynes

Address:

I represent: Neighbors Helping Neighbors.

Address: 128-32 street #106 BKNY 11232

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 600 Res. No. 184

☒ in favor ☐ in opposition

Date: 03.19.18

(PLEASE PRINT)

Name: Oksana Mirorova

Address: 608 Foster Rd, Brooklyn NY, 11230

I represent: Community Service Society

Address:

Please complete this card and return to the Sergeant-at-Arms

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ~~188-A~~ 600-A Res. No. 788-A

☒ in favor ☐ in opposition

Date: March 19, 2018

(PLEASE PRINT)

Name: Susan Steinberg

Address: 5 STUYVESANT OVAL, 11G

I represent: STPCV TENANTS ASSOC

Address: P O BOX 1202, NYC 10009-1202

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 600-A Res. No. 788-A

☒ in favor ☐ in opposition

Date: 3-19-18

(PLEASE PRINT)

Name: NORMA SCHREIER

Address: 333 CENTRAL PARK WEST

I represent: TENANTS & NEIGHBORS

Address: 225 W. 34 St

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 188A Res. No. 600A

☐ in favor ☐ in opposition

Date:

(PLEASE PRINT)

Name: Delsenia Glover

Address:

I represent: Tenants & Neighbors

Address:

Please complete this card and return to the Sergeant-at-Arms

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 600-A Res. No. 138-A

☑ in favor ☐ in opposition

Date: _____

(PLEASE PRINT)

Name: Ed Viera, Jr.

Address: 1314 Grand Concourse #1-C, Bx

I represent: _____

Address: _____

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 600 A Res. No. _____

☑ in favor ☐ in opposition

Date: 3/19/18

(PLEASE PRINT)

Name: Cynthia Chaffee

Address: 346 East 8A St

I represent: STOP CROMAN COALITION.

Address: _____

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 600A Res. No. _____

☒ in favor ☐ in opposition

Date: _____

(PLEASE PRINT)

Name: ELIGN DAVIDSON

Address: 199 WATER St

I represent: The ~~Ly~~ Legal Aid Society

Address: _____

Please complete this card and return to the Sergeant-at-Arms

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 600-A Res. No. 188-A

☒ in favor ☐ in opposition

Date: 3/19/18

(PLEASE PRINT)

Name: Lino Diaz

Address: 3730 73rd St. Apt. 4M, Queens, NY 11372

I represent: LSNYC

Address: 40 worth Street, NY, NY 10013

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 600-A Res. No. 188-A

☒ in favor ☐ in opposition

Date: March 19, 2018

(PLEASE PRINT)

Name: Rev. Leslie Foltz-Morrison

Address: 3050 Corlear Ave #4D2, Bronx NY 10463

I represent: Met Council on Housing

Address:

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 600 Res. No. 188

☑ in favor ☐ in opposition

Date: 03-19-18

(PLEASE PRINT)

Name: Vaughn Asmous

Address: 570 Lefferts ave

I represent: rent laws

Address:

Please complete this card and return to the Sergeant-at-Arms

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

☐ in favor ☐ in opposition

Date: 3/19/18

(PLEASE PRINT)

Name: Matthew H Morphew

Address: 100 Gold

I represent: HPD

Address: _____

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

☐ in favor ☐ in opposition

Date: 3/19/18

(PLEASE PRINT)

Name: Elyzabeth Gaumer

Address: 100 Gold

I represent: HPD

Address: _____

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

☐ in favor ☐ in opposition

Date: 3/19/18

(PLEASE PRINT)

Name: Francesca Martir

Address: 100 Gold

I represent: HPD

Address: _____

Please complete this card and return to the Sergeant-at-Arms

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. 3-19-18

☑ in favor ☐ in opposition

Date: _____

(PLEASE PRINT)

Name: JOSE LUIS RODRIGUEZ

Address: 580 SOUTHERN BLVD

I represent: PICTURE THE HOMELESS

Address: 104 EAST 126 ST NYC

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 1224A Res. No. 6004

☑ in favor ☐ in opposition

Date: _____

(PLEASE PRINT)

Name: JESSICA BERG

Address: 95 CHRISTOPHER ST

I represent: R.E.D.

Address: SAME

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

☑ in favor ☐ in opposition

Date: _____

(PLEASE PRINT)

Name: Bacilio Garcia

Address: _____

I represent: Woodside on the Move

Address: 96-10 37th Ave Corona, NY

Please complete this card and return to the Sergeant-at-Arms

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

☑ in favor ☐ in opposition

Date: 03/19/18

(PLEASE PRINT)

Name: Earl Carter

Address: 201 West 11th St Apt 3B

I represent: _____

Address: _____

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

☒ in favor ☐ in opposition

Date: _____

(PLEASE PRINT)

Name: Ava Farkas

Address: 30 Bogardus Place

I represent: Met Council on Housing

Address: _____

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

☐ in favor ☐ in opposition

Date: March 19, 2018

(PLEASE PRINT)

Name: Scott Hutchins

Address: 452 W 50th St NY 10019

I represent: Picture the Homeless

Address: 104-B E 126th St

Please complete this card and return to the Sergeant-at-Arms

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

☐ in favor ☐ in opposition

Date: 03/19/18

(PLEASE PRINT)

Name: JORGEL RODRIGUEZ

Address: 98-23 HH Exp.

I represent: Myself.

Address:

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

☐ in favor ☐ in opposition

Date: 4/19/18

(PLEASE PRINT)

Name: BARBARA WILLIAMS

Address:

I represent: ANHD

Address: 50 BROAD ST #1402

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 188-A Res. No. 600-A

☐ in favor ☑ in opposition

Date: Mar. 19 2018

(PLEASE PRINT)

Name: Julie Hanlon *secure mail: BOX 176, NY NY 10024

Address: 345 W. 86th #1409 NYC 10024

I represent: Tenants Asso Dexter House TA

Address: 345 W. 86th NY NY 10024

*secure mail due to SRO mail abuse

Please complete this card and return to the Sergeant-at-Arms