

Troy Kravitz, ANC3D
Response to Digression on Rent-Controlled Housing

It has been suggested that Ward 3 provides adequate affordable housing.¹ While there has been no questioning the paucity of inclusionary zoning units in Ward 3,² the progenitors of the alternative view argue that the existence of nearly 13,000 rent-controlled apartments obviates the need for the community to prioritize genuinely affordable housing.³

The main problem with this line of argumentation is that rent-controlled units are not considered “Affordable Housing” by the District: “*Rent-controlled apartments are counted as “market rate” units because there are no occupancy restrictions.*”⁴ By contrast, “*affordable housing is defined as housing in which occupancy is limited to households meeting special income guidelines.*”⁵

Rent-controlled apartments are not counted as affordable housing for good reason. First, the rent charged is a function of the apartment and not the tenant. So, a dual-income professional family can obtain a rent-controlled apartment just as easily (or uneasily) as a low-income wage earner. Second, the rent charged for a rent-controlled apartment can increase each year, up to 10% per year if consumer prices are rising quickly.⁶ Third, rent control only applies to buildings constructed no later than 1975.⁷ Such apartments are now 45 years old, at least.

The rent for a rent-controlled apartment can increase annually by 2% more than inflation (not to exceed 10% each year).⁸ Albert Einstein supposedly said, “*the power of compound interest [is] the most powerful force in the universe.*”⁹ The effects of compounding appear dramatically over time for a rent-controlled apartment. A renter continuously occupying a legally rent-controlled apartment since 1975 can have seen his rent *increase* 833% since he moved in.¹⁰ (The increase can be more if tenants moved

¹ See, for example, the submission of Sondra Mills in Exhibit 205, and the cross-examination questioning by the parties in opposition during the 7 October 2019 hearing in Zoning Case 19-10.

² See, for example, the FY2018 Inclusionary Zoning Annual Report, available at <https://dhcd.dc.gov/page/fy2018-inclusionary-zoning-annual-report>, and the Department of Housing and Community Development’s IZ Property Dashboard, available at <https://dhcd.dc.gov/service/inclusionary-zoning-affordable-housing-program>.

³ Exhibit 205 cites a report from the Urban Institute provided on the Department of Housing and Community Development’s website submitted as Exhibit 206: “A Rent Control Report for the District of Columbia,” The Urban Institute, June 2011, available at <https://dhcd.dc.gov/sites/default/files/dc/sites/dhcd/publication/attachments/rent%20control%20report%20final%20Jun62011.pdf>.

⁴ See, “The Comprehensive Plan for the National Capital: District Elements,” Chapter 5 Housing Element, page 5-12, available at <https://dhcd.dc.gov/sites/default/files/dc/sites/op/publication/attachments/Chapter%25205%2520Comp%2520PIan%2520Updates%2520Opti.pdf>.

⁵ *Ibid.*

⁶ “A Rent Control Report for the District of Columbia,” page 3.

⁷ *Ibid.*, page 10.

⁸ *Ibid.*, page 3. Elderly and disabled tenants can see annual rent increases up to 5% and landlords are permitted to raise rent in line with the CPI-W.

⁹ See, for example, <https://www.cbsnews.com/news/compound-interest-the-most-powerful-force-in-the-universe/>.

¹⁰ All calculations use CPI-W data from <https://www.ssa.gov/oact/STATS/avgcpi.html>.

into and out of the apartment over time.) A unit occupied since 1985 can have seen rent more than quadruple since the unit was rented. In neither case is the rent increase stemming from inflation: the majority of the rent increase stems from compounding the landlords' legal ability to raise rents faster than inflation each year.

A more recent example applied to a different housing type easily illustrates why rent control is not a substitute for affordable housing. The rent for a unit occupied as recently as 2006 can be more than 50% more expensive today. This is like the payment for an \$840,000 mortgage increasing from \$4,509 in 2006 to \$7,081 today.¹¹ Regardless of whether the rent charged at occupation was affordable, there is no reason to assert that such rent will remain affordable.

Rent-control is not the same as affordable housing. It is not considered "Affordable Housing" in the District and is almost entirely orthogonal to the relevant discussion the Commission has been having in ZC 19-10 about inclusionary zoning, inclusivity, equity and affordability in Ward 3. I hope we do not allow this digression about rent control to distract our focus from these important issues.

Troy Kravitz
ANC3D

¹¹ Example calculation: 30-year fixed-rate mortgage at 5% interest.